

Storebrand Helseforsikring AS Annual report

2021



Annual report 2021 Storebrand Helseforsikring AS

ABOUT THE COMPANY

Storebrand Helseforsikring is 50 per cent-owned by Storebrand ASA and 50 per cent-owned by Ergo International AG. The company offers medical expense insurance in the corporate and retail markets in Norway and Sweden. Its head office is located at Professor Kohts vei 9, Lysaker, Bærum. The company conducts its business through the head office in Norway and the branch in Sweden.

ACCOUNT OF THE FINANCIAL STATEMENT

The annual accounts have been drawn up in accordance with the Norwegian Regulations on Financial Statements for General Insurance Companies which are in accordance with international accounting principles (IFRS), but with some adjustments. The result before tax expense was NOK 45.7 million (NOK 89.4 million).

Gross premium written was NOK 972.8 million (NOK 875.7 million), a 11.0 per cent increase, compared with 2020. Premium income for own account was NOK 930.0 million (NOK 843.0 million). Increased premium income are due to higher sales and price adjustments. The demand for medical expense insurance in the market remains high and Storebrand Health has a leading market position in Norway in terms of written premiums. Health insurance have increased in popularity as an employee benefit.

Claims incurred for own account were NOK 706.4 million (NOK 633.3 million) for the year. Claims ratio was 76.0 per cent (75.1 per cent). The company is monitoring the claims development closely to ensure a sound profitability.

Insurance-related operating costs were NOK 185.6 million (NOK 124.5 million). The cost ratio was 20.0 per cent (14.8 per cent), a 5.2 percentage point increase from the previous year. This year an increase was expected because of the start -up of the new insurance system TIA and the review of the projects costs. It was charged expenses and write-down regarding TIA of NOK 30 million in total. The combined ratio was 95.9 per cent (89.9 per cent) in 2021.

Storebrand Helseforsikring achieved a financial return of 0.76 per cent (1.9 per cent) in the investment portfolio. At year end 2021 the investment portfolio consists of a bond fund issued by Storebrand.

The result of the non-technical account totalled to NOK 7.5 million (NOK 4.2 million) for the year. Currency fluctuations resulted in a total currency gain/loss, including the effects of currency derivatives, of NOK 2.8 million (minus NOK 3.8 million). In 2021 the Swedish krone has weakened against the NOK. The result exchange rate changed from 1.0230 to 1.0022 and the balance sheet exchange rate from 1.043 to 0.974. The company has a conservative investment strategy, and the investment portfolio has low credit risk and short interest duration.

Storebrand Helseforsikring is in a tax-paying position. The tax expense for 2021 was NOK 11.1 million (NOK 21.9 million). Total comprehensive result after tax expense is NOK 34.6 million (NOK 67.4 million).

Pursuant to the Norwegian accounting legislation, the board confirms that the company meets the conditions for preparing the financial statements on the basis of a going concern assumption.

In the best judgment of the board, the annual financial statement for 2021 has been prepared in accordance with applicable accounting standards, and the information in the financial statement provides a fair and true picture of the company's assets, liabilities, financial standing and results. The board has no knowledge of events of material importance to the 2021 financial statement having occurred after the reporting date.

RISKS

BUSINESS RISK

Identification and management of business risk is an integral part of the company's managerial responsibilities. Systematic risk assessments are performed at the organization in relation to operational risks and adopted goals and strategies. These risk analyses are compiled into risk reports with associated risk-reducing measures that are presented to the company's board.

FINANCIAL RISK

Storebrand Helseforsikring's securities portfolio is mainly exposed to Norwegian credit papers with a good credit rating and short interest rate duration through the investment in the bond fund Storebrand Korte Renter SII. Assessment of price risk, interest rate risk, credit risk, counterparty risk and currency risk are central to management of the securities portfolio. The company conducts regular stress tests to analyze how any unusual market conditions affect the company's securities portfolio. The company checks that the risk level is always appropriate in terms of the company's ability to shoulder risk, and exposure is followed up against the limits set in the company's investment strategy.

COVID-19

The company saw a return to normal during 2021. The number of medical treatments was somewhat higher than expected in the first half of the year, most probably due to deferred treatments from 2020. Provisions for claims as of the end of 2020 pre-empted this effect, which resulted in the company achieving run-off gains in 2021. There were more medical treatments than expected in the first half of the year and the run-off gains from 2020 cancelled each other out in the accounts. The result for 2021 therefore appears normal. The company presently does not see any challenges relating to the long-term effects of Covid-19, however this will be monitored going forward in connection with risk management.

INSURANCE RISK

Most of the insurance risk at Storebrand Helseforsikring is linked to the development in the cost of medical treatment. To reduce risk, agreements have been entered into with the largest suppliers of health services with which the company collaborates. To dampen the effect of major claims, the company has also written an 'excess of loss' reinsurance policy. The insurance risk is considered to be low to moderate, with the agreements that have been entered into.

CAPITAL SITUATION

Storebrand Health Insurance had a total balance of NOK 868.5 million (NOK 804.8 million) at the end of 2021. Storebrand Health Insurance equity amounted to NOK 310.7 million (NOK 294.2 million), an increase of NOK 16.5 million. It is decided to pay NOK 18.0 million in dividend for 2021.

The solidity in Storebrand Health Insurance is good and the company had a solvency margin of 160 per cent (155 per cent) for 2021. The company's strategy is to hold a solvency margin of approximate 140 per cent.

The company is subject to the EU Solvency II regulations for insurance companies, that is implemented in Norwegian legislation through "Finansforetaksloven" and regulations and uses the standard model for solvency calculations.

RESPONSIBILITY

Storebrand Health Insurance is following the policy of the Storebrand Group on the topics below. These can be found on Storebrand Groups home pages.

SUSTAINABILITY

The financial sector plays a key role in contributing towards achieving the UN Sustainable Development Goals. By providing good management, our insurance solutions and investments can be decisive in realising the Sustainable Development Goals.

Companies that have sustainability as a key part of their business strategy are well placed to manage climate and sustainability risk and utilise the opportunities that these represent. There is a growing consensus that companies with a strategy that is in line with the Sustainable Development Goals and the Paris Agreement have better prerequisites than others for achieving success and long-term returns.

The company's sustainability principles summarize how the work is an integrated part of the overarching objectives and management and control processes. The principles include all companies and all parts of the business, including investments, products, purchases, employee follow-up and own operations.

These principles are:

- We use the UN Sustainable Development Goals as a basis for our business activities.
- We help our customers to live more sustainably through the products and services that we offer.
- We are a responsible employer.
- Sustainability underlies our processes and decisions – from the board and management, who have overarching responsibility, to every employee who promotes sustainability in his/her area.
- We work together with customers, suppliers, government authorities and partners to achieve the UN Sustainable Development Goals.
- We are transparent about our sustainability work and the results we achieve.

Our sustainability report is integrated into Storebrand ASA's annual report and follows the Global Reporting Initiative (GRI) guidelines for reporting (Core version). The company refers to Storebrand ASA's annual report for a complete description of the Group's sustainability principles and work.

CORPORATE GOVERNANCE AND COMPLIANCE: PRIVACY, INFORMATION SECURITY, CORRUPTION, ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

Ethical guidelines and ethical practices at all levels of the organisation are prerequisites for trust among customers, government authorities, shareholders and society in general. This trust is built upon both how we manage our business activities and the actions of each individual employee.

PRIVACY AND DIGITAL TRUST

We live in a digital world in which there is an increasing risk of personal data going astray, being stolen or shared with unauthorized parties. Customers must be able to trust us to manage their personal data in a responsible manner. We therefore need to have good security measures, established procedures and processes for privacy. In addition, our employees must have good knowledge of how to adequately manage personal data.

ANTI-CORRUPTION WORK

Corruption is one of the biggest causes of poverty in many parts of the world. It is also important in Scandinavia to work purposefully against this form of crime. Corruption is a criminal offence in all countries where Storebrand operates. Corruption is a criminal offence for both the party making the offer and the recipient, and companies can face sanctions if they have not done enough to avoid corruption. Corruption can undermine confidence in us as a company, and in the financial and insurance sector in general. Corruption is destructive to healthy competition in all industries.

INFORMATION SECURITY

Storebrand is a company with significant influence over the society in which we live. As a financial institution, our digital infrastructure is critical to society. Our customers, partners, employees, and market position make us an attractive target for a number of threat actors. Cyberattacks are becoming increasingly more sophisticated. When combined with a hybrid working day, this increases the risk of not being able to detect undesirable activity. This challenge applies not only to us at Storebrand, but also our partners and suppliers. If we are the victim of a cyberattack, this may negatively impact the trust customers have in us being able to effectively safeguard their capital and assets.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

The company is a player in the Nordic financial market and therefore have a responsibility to avoid being misused in connection with terrorist financing, money laundering or other forms of financial crime. Our stakeholders expect us to effectively fulfil this responsibility. Routines and management are important for upholding our reputation. All employees must complete mandatory training each year.

RESPONSIBLE USE OF RESOURCES

At Storebrand Helseforsikring, sustainability is an integral part of our business strategy. We set requirements for suppliers and partners. However, we also want to lead by example. That is why we work to ensure that our business activities are as sustainable as possible.

We have committed to setting science-based targets for our emissions that are in line with the Paris Agreement.

ENVIRONMENT

Storebrand Helseforsikring works purposefully to reduce its impact on the environment, both through its own operations, investments, procurement and property management. The emissions we are not able to cut, stemming from for instance travel and energy usage, are compensated through the purchase of verified carbon offsets. The Head office is a low emission building and uses renewable energy sources like solar energy and district heating. The head office is a certified Miljøfyrtårn (Eco-Lighthouse) since 2009. The Storebrand Group sets strict environmental standards for suppliers and the companies it invests in.

PERSONNEL, ORGANIZATION AND GOVERNING BODIES

At the end of the year there were 27 employees, compared with 27 at the beginning of the year. 1 person is employed at the branch in Sweden, same as last year. The share of women in the company is 73 per cent (69 per cent). The average age is 43 years and average length of service is 12 years.

2021 was also characterised by the pandemic and new ways of working, including extensive use of flexible working arrangements and hybrid working models. Storebrand uses experiences from this work in creating the workplace of the future that is in the best interests of employees, the company and society.

DIVERSITY AND EQUALITY

It is important that Storebrand's organisation and commercial activities reflect the customers and market in which we operate. Storebrand has the objective of being a good workplace for everyone, irrespective of background. We strongly believe in building an agile organization and a culture characterized by trust, inclusion and belonging. Independent sustainability analyses show that companies which focus

on diversity are more innovative and profitable. We need to attract the best talent in order to create a future to look forward to for our customers, employees and society.

We always strive to be an organization characterized by inclusion and belonging. All employees at Storebrand must be treated equally, irrespective of age, gender, disability, cultural background, religious beliefs or sexual orientation, both in recruitment processes and during the entire period of employment. We have a zero-tolerance policy towards harassment and discrimination.

The company strives to have an equal spread of men and women through all areas and levels in the company. In 2021 50 per cent of the board members were women. The share of women in the company was 73 per cent and 33 per cent of the leaders were women.

CULTURE FOR LEARNING

The company is committed to ensuring that all employees have the opportunity to further develop their own skills and expertise. Competence building is important for ensuring personal development and proficiency, and for Storebrand to always have the expertise we require to provide value to our customers. Employees shall be given the opportunity to learn throughout their entire period of employment, and this will also enable them to become attractive in the labour market if they apply for positions in other companies.

We offer courses and training programs and stimulate learning and the exchange of experiences through the work that is done each and every day. As an employer, we must ensure that employees have exciting tasks, new challenges and interaction across organisational units. Employees are encouraged to take the initiative to acquire new insights and have new experiences. Managers and employees have a joint responsibility for contributing to evaluations and feedback that can result in continuous improvements.

WORKING ENVIRONMENT AND EHS

Each year, managers must confirm in writing that they have discussed ethics and ethical dilemmas, information security, financial crime and HSE at departmental meetings.

Storebrand Helseforsikring has worked systematically for several years to prevent sick leave and has placed great emphasis on health and satisfaction. The company had a sick leave rate in 2021 of 4.1 per cent, which are an increase of 2.6 percentage points compared to the previous year. Storebrand Helse has been an including workplace enterprise since 2002, and leaders have over the years established good practices related to monitoring employees during illness. The Storebrand Group has its own health clinic, which made a positive impact on reducing the group's sick leave figures. All managers must take mandatory safety courses where monitoring of disease is part of the learning process

No injuries to people, property damage, or accidents of significance reported in the company in 2021.

INSURANCE FOR BOARD MEMBERS AND COMPANY MANAGEMENT

The Board and senior executives are covered by the company's ongoing board liability insurance. This is placed with insurers with a solid rating.

Within the framework of the insurance coverage, the insurer will pay compensation for economic loss resulting from claims brought against the insured persons for personal management liability during the insurance period.

BOARD AND MANAGEMENT CHANGES

Geir Holmgren takes possession of the duty as chairman from Silke Lautenschläger in 2022. Beate Palkin Berntsen is a new member of the board in 2021, she replaces Andreas Ree. There have been no other changes in management during 2021.

PROSPECTS FOR THE FUTURE

Storebrand Helseforsikring is a major player in the health insurance market and has established a market-leading position in high-quality treatment agreements. The market is still growing but is characterized by high competition intensity, increased price pressure and increased frequency of claims payments. Storebrand Helseforsikring has a competitive advantage due to the quality of claims settlement, unlimited liability period, a comprehensive national and international network of high-quality hospitals, and agreements with specialist clinics, and owners with extensive industry experience.

At the end of the year, Storebrand Helseforsikring's total customer base was 200,000 customers. In 2021, the most important sales channels in Norway were Storebrand's distribution network and brokers. The most important distribution channels in Sweden were SPP, Handelsbanken and brokered channels.

Both the retail and the corporate markets for health insurance are profitable. Greater pressure on margins means that one of the main challenges in the future will be to implement solutions that support cost-efficient and profitable operation, and which further strengthen the growth in volume. Storebrand Helseforsikring wants to meet the increased competition in the market with market-adapted products at the right price and level of quality for customers. The market is expected to grow at the present rate for both corporate and privately paid health insurance.

The board wishes to thank the company's customers for their constant feedback regarding improvements to the company's processes, other business contacts, and the employees for a good collaboration in 2021.

ALLOCATION OF PROFIT FOR THE YEAR

The 2021 result for Storebrand Helseforsikring AS was NOK 34.6 million (NOK 67.4 million).

In the Board's opinion the company's equity is satisfactory and reasonable in view of the company's business activities.

The Board proposes to the General Meeting the following allocation of profit (amounts in NOK million):

NOK million	2021
Dividend	18.0
Transferred to guarantee reserve	1.6
Transferred to other equity	15.0
Total	34.6

Lysaker, 9 February 2022
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Geir Holmgren
Chairman

Silke Lautenschläger

Per Lindberg

Anja Berner

Ketil Eilev Bøe

Beate Palkin Berntsen

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of Comprehensive Income

1 JANUARY - 31 DECEMBER

NOK thousand	Note	2021	2020
TECHNICAL ACCOUNTS			
PREMIUMS			
Gross premiums earned		932,399	845,226
- Reinsurers' share		-2,439	-2,274
Premium income for own account	11,12	929,961	842,952
Other insurance related income		189	54
CLAIMS EXPENSES			
Incurred claims gross		-707,231	-635,290
- Reinsurers' share		806	1,942
Claims expenses for own account	5,12	-706,426	-633,347
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses		-63,998	-57,332
Insurance related administration expenses (incl. commissions for reinsurance receivable)		-121,561	-67,188
Insurance related operating expenses	13,14,15,16	-185,559	-124,519
Technical profit		38,165	85,139
NON-TECHNICAL ACCOUNTS			
NET INCOME FROM FINANCIAL ASSETS			
Interest and dividend etc from financial assets		4,848	6,292
Change in value on investments		-2,184	-351
Realised gain and loss on investments		-5,262	10,678
Net income from investments	17	-2,598	16,619
Other income		9,773	2,256
Other expenses		316	-14,654
Non-technical profit		7,491	4,221
Pre tax profit		45,655	89,361
Tax	18	-11,110	-21,915
Profit/loss for the year		34,545	67,445
OTHER COMPREHENSIVE INCOME ELEMENTS AND EXPENSES NOT TO BE RECLASSIFIED TO PROFIT/LOSS			
Change in actuarial assumptions		41	-27
Tax on other comprehensive income and expenses not to be reclassified to profit/loss		-10	7
Total comprehensive income		34,576	67,425

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2021	2020
ASSETS			
Intangible assets		120,033	120,868
Total intangible assets	19	120,033	120,868
FINANCIAL ASSETS AT FAIR VALUE			
Bonds and other fixed-income securities			
Financial derivatives	21	456,078	429,581
Total financial assets at fair value	8,10,20	456,078	429,581
RECEIVABLES			
Receivables in connection with direct business transactions			
- Due from policyholders	24,26	251,218	206,408
Receivables from related parties	24		592
Other receivables	24	10,706	12,778
Total receivables		261,924	219,777
OTHER ASSETS			
Cash and cash equivalents	8,20	26,153	34,018
Pension assets	14	72	31
Total other assets		26,225	34,049
Prepaid costs and income earned not received		4,250	554
Total prepaid costs and income earned not received	24	4,250	554
Total assets		868,511	804,828

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2021	2020
EQUITY AND LIABILITIES			
PAID IN CAPITAL			
Share capital		33,000	33,000
Share premium reserve		122,000	122,000
Total paid in capital		155,000	155,000
EARNED EQUITY			
Allocation to guarantee scheme		17,191	15,572
Other earned equity		138,554	123,596
Total earned equity		155,745	139,169
GROSS INSURANCE LIABILITIES			
Reserve for unearned premiums gross		354,860	329,779
Claims reserve gross	5	87,346	105,221
Total insurance liabilities gross	25	442,207	435,000
RESERVES FOR LIABILITIES			
Period tax liabilities	18	6,836	15,546
Deferred tax	18	8,677	10,814
Total reserves for liabilities		15,513	26,360
LIABILITIES			
Liabilities in connection with direct insurance	26	37,210	23,980
Financial derivatives	22	932	672
Allocation to dividends	29	18,000	
Liabilities to related parties	27	423	
Other liabilities	26	10,495	8,726
Total liabilities	20,26	67,059	33,377
Accrued expenses and received, unearned income		32,988	15,923
Total accrued expenses and received, unearned income	20,26	32,988	15,923
Total equity and liabilities		868,511	804,828

Lysaker, 9 February 2022
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Geir Holmgren
Chairman

Silke Lautenschläger

Per Lindberg

Anja Berner

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Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of cash flow

1 JANUARY - 31 DECEMBER

NOK thousand	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Paid-in premiums gross insurance	923,461	861,575
Paid-out claims gross insurance	-724,300	-609,982
Tax payable for the period	-21,968	-5,683
Net receipts/payments operations	-141,028	-130,178
Net cash flow from operating activities before financial assets	36,165	115,732
Net receipts/payments - financial assets	-19,062	-45,183
Net cash flow from operating activities	17,103	70,549
CASH FLOW FROM INVESTING ACTIVITIES		
Net receipts/payments – sale/purchase of fixed assets/intangible assets	-24,969	-64,128
Net cash flow from investing activities	-24,969	-64,128
Net cash flow for the period	-7,866	6,421
of which net cash flow for the period before financial assets	11,196	51,604
Net movement in cash and cash equivalent assets	-7,866	6,421
Cash and cash equivalent assets at the start of the period	34,018	27,597
Cash and cash equivalent assets at the end of the periode	26,153	34,018

Storebrand Helseforsikring AS

Statement of change in equity

NOK thousand	Share capital	Share premium reserve	Total paid in capital	Guarantee scheme	Other equity	Total retained earnings	Total equity
Equity 01.01.20	33,000	122,000	155,000	14,378	57,365	71,743	226,743
Profit					67,445	67,445	67,445
Change in guarantee reserve				1,194	-1,194	0	0
Change in pension experience adjustments					-27	-27	-27
Tax on other comprehensive income					7	7	7
Equity 31.12.20	33,000	122,000	155,000	15,572	123,596	139,169	294,169
Profit					34,545	34,545	34,545
Change in guarantee reserve				1,619	-1,619	0	0
Change in pension experience adjustments					41	41	41
Tax on other comprehensive income					-10	-10	-10
Share dividend					-18,000	-18,000	-18,000
Equity 31.12.21	33,000	122,000	155,000	17,191	138,554	155,745	310,745

SHAREHOLDERS:

NOK thousand	Number of shares	Nominal value	Share capital
Storebrand ASA	16,500	1	16,500
Ergo International AG	16,500	1	16,500
Total share capital	33,000		33,000

Notes

Storebrand Helseforsikring AS

Note 01 | Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Regulations on Financial Statements for General Insurance Companies which is in accordance with international accounting principles (IFRS), but with some adjustments.

IFRS 9

IFRS 9 Financial Instruments have replaced IAS39 and entered into force from 1 January 2018. For insurance-dominated groups and companies, IFRS 4 allows for the implementation of IFRS 9 to be deferred until implementation of IFRS 17. In the Norwegian Regulations on Financial Statements for General Insurance Companies it emphasized that IFRS 9 will have a mandatory implementation for the annual accounts from 1. January 2023 or later.

Classification and measuring after IAS 39 vs IFRS 9 per 31.12.2021:

IFRS 9 - FINANSIELLE INSTRUMENTER TIL AMORTISERT KOST OG VIRKELIG VERDI OVER TOTALRESULTAT

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2021	Fari value after IFRS9 1.1.2021	Booked value after IAS39 31.12.2021	Fari value after IFRS9 31.12.2021
Financial assets						
Bank deposits	AC	AC	34,018	34,018	26,153	26,153
Accounts receivable and other short-term receivables	AC	AC	220,331	220,331	266,175	266,175
Total financial assets			254,349	254,349	292,327	292,327
Financial liabilities						
Other current liabilities	AC	AC	49,300	49,300	100,047	100,047
Total financial liabilities			49,300	49,300	100,047	100,047

IFRS9 - Financial instruments at fair value

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2021	Fari value after IFRS9 1.1.2021	Booked value after IAS39 31.12.2021	Fari value after IFRS9 31.12.2021
Financial assets						
Bonds and other fixed-income securities	FVP&L (FVO)	FVP&L	429,581	429,581	456,078	456,078
Total financial assets			429,581	429,581	456,078	456,078
Financial liabilities						
Financial derivatives	FVP&L (FVO)	FVP&L			932	932
Total financial liabilities					932	932

AC = amortised cost

FVP&L / FVP&L (FVO) – fair value in profit/loss

1.1 - CHANGES IN ACCOUNTING POLICIES

In 2021 no new accounting standards having any effect for the accounts, has been implemented for Storebrand Helseforsikring AS.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT:

IFRS 17

IFRS 17 replaces IFRS 4 Insurance Contracts and introduces new requirements for the recognition, measurement, presentation and disclosure of issued insurance contracts. The standard was approved by the EU and is to be applicable from 1 January 2023. The purpose of the new standard is to establish uniform practices for the accounting treatment of insurance contracts.

IFRS 17 is a comprehensive and complex standard, with fundamental differences to the present standard for measuring liabilities and recognising earnings. Insurance contracts must be recognised at the risk-adjusted present value of future cash flows, with the addition of unearned profit in a group of contracts (Contractual Service Margin = CSM). Loss-making contracts must be recognised immediately.

As a starting point, IFRS 17 must be retrospectively applied, but modified retrospective application is permitted or application based on the fair value on the transition date if retrospective application is impracticable.

IFRS 17 can be introduced to the Storebrand Helseforsikring company accounts. The implementation date is 1 January 2023, with a requirement that comparable figures for 2022 are stated.

The company is working to prepare for the implementation of IFRS 17, including assessing the impact implementation of IFRS 17 will have on Storebrand Helseforsikring's company accounts. However, it has not yet been clarified as to whether IFRS 17 shall apply to the company accounts or whether it will only apply for further reporting to the company's two owners.

There are no other new or changed accounting standards that have not entered into force that are expected to have a significant effect on Storebrand Helseforsikring's consolidated financial statements.

1.2 - FINANCIAL INSTRUMENTS - GENERAL POLICIES AND DEFINITIONS

RECOGNITION AND DERECOGNITION

Financial assets and liabilities are recognized in the statement of financial position from such time Storebrand Helseforsikring becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded on the transaction date. When a financial asset or a financial liability is initially recognized in the financial statements, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value through profit or loss.

Financial assets are derecognized when the contractual right to the cash flow from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognized in the statement of financial position when they cease to exist, i.e. once the contractual liability has been fulfilled, cancelled or has expired.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with payments that are fixed or determinable and which are not quoted in an active market, except those that the entity intends to sell immediately or in the short term that are classified as held for turnover, and those that the company initial recognition designates as at fair value through profit.

AT FAIR VALUE THROUGH PROFIT OR LOSS IN ACCORDANCE WITH THE FAIR VALUE OPTION (FVO)

A significant proportion of Storebrand's financial instruments are classified in the category of fair value through profit or loss because:

- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or
- the financial assets form part of a portfolio that is managed and reported on a fair value basis.

The accounting is equivalent to that of the held for trading category (the instruments are measured at fair value and changes in value are recognised in the income statement).

FINANCIAL LIABILITIES

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using an effective interest method.

1.3 - ACCOUNTING FOR THE INSURANCE BUSINESS

Storebrand Helseforsikring's insurance contracts are calculated in accordance with the Norwegian Regulations on Financial Statements for General Insurance Companies.

Insurance premiums are recorded as income according to the insurance period. Costs related to claims are recognised when the claims occur.

1.3.1 - UNEARNED PREMIUMS (PREMIUM RESERVE)

Reserve for unearned premium concerns on-going policies that are in force at the time the financial statements were closed and is intended to cover the contracts' remaining risk period. Accrued entitlements are calculated on a pro rata basis and without any deduction for costs.

1.3.2 - CLAIMS RESERVE

The claims reserve is a reserve for expected claims that have been reported, but not settled. In addition, claims reserves shall include a separate provision for future losses on claims that have not been settled.

1.3.3 - GUARANTEE SCHEME

A required provision for non-life insurance companies. The reserve is intended to help ensure that the insured obtains settlement in relation to policies entered. The reserve is included in retained earnings. The guarantee applies only to Norwegian business and therefore not calculated guarantee reserve of the business in the Swedish branch.

1.4 - PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Helseforsikring has a defined contribution pension scheme. The defined contribution pension scheme involves the company paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The company does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined contribution pension schemes are recognised directly in the financial statements.

Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs

1.5 – INTANGIBLE ASSETS

The company's intangible assets comprise of IT systems.

Intangible assets with limited useful economic lives are measured at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are measured each year.

With initial recognition of intangible assets in the balance sheet, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the company. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired.

The depreciation shall begin when the asset is available for use, i.e. when it is available at place and in the condition required to function as planned by the management.

1.6 - TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in total comprehensive income. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax is calculated on the basis of the company's tax loss carryforwards, deductible temporary differences and taxable temporary differences. Any deferred tax assets shall be recognised if it is considered probable that the tax asset will be recovered.

1.7 – FOREIGN CURRENCY

Figures for the Swedish branch are converted to Norwegian kroner by recalculating the income statement using the average exchange rate for the year in question and by converting the balance-sheet using the exchange rate at the end of the financial year. Any difference arising from the conversion is reflected in the ordinary profit.

Note
02

Important accounting estimates and judgments

In preparing the financial statements the management is required to make judgments, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and expectations of future events and represent the management's best judgment at the time the financial statements were prepared. Actual results may differ from these estimates.

The most important estimates, in the sense that their ultimate realization could lead to material adjustments of recognized amounts, are the claims reserves. Estimates are made for expected payments for the period up to the renewal date for contracts in force (unearned premiums gross) and expected remaining payments for incurred but not finally settled claims (claims reserve). There is uncertainty connected to the frequency, size and late reporting of claims, and estimates changes may cause increases or reductions in reserves and corresponding changes in claims costs reported in the accounts.

COVID-19

Operations were normalised during 2021 and, by the end of the year, Covid-19 had little impact on accounting estimates and discretionary assessments. The company presently does not see any challenges relating to the long-term effects of Covid-19, however this will most probably be monitored going forward in connection with risk management.

Note
03

Risk management and internal control

Continuous monitoring and active risk management are core areas of the company's activities and organization. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the risk appetite, risk targets and overriding risk limits for the operations. In the company, responsibility for risk management and internal control is an integral part of management responsibility.

ORGANISATION OF RISK MANAGEMENT

The company's organization of the responsibility for risk management follows a model based on three lines of defence. The model safeguards risk management responsibility in the company.

The boards of directors have the overall responsibility for limiting and following up the risks associated with the activities. The boards set annual limits and guidelines for risk-taking in the company, receive reports on the actual risk levels, and perform a forward-looking assessment of the risk situation.

Managers at all levels in the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks, documentation of processes and routines, prioritization and implementation of improvement measures, and good communication, information and reporting.

Independent control functions

Independent control functions are in place for risk management within the unit (Chief Risk Officer), for compliance with the regulations, that the insurance liabilities are calculated correctly (Actuary). The independent control functions are organised directly under the companies' managing director and report to the company's board.

The internal audit shall provide the Boards with confirmation concerning the appropriateness and effectiveness of the company's risk management, including how well the various lines of defence are working.

Note 04 | Operational risk

Operational risk is defined as the risk of financial losses or reduced reputation due to inadequate or the failure of internal processes, control routines, systems, human error or external incidents. The definition includes compliance risk: Compliance risk is the risk of loss or public sanctions as a result of non-compliance with external or internal rules.

Risk management shall ensure that the risk level at any time is compatible with the appetite for risk and within internal and regulatory frameworks. The company seeks to reduce operational risk through an effective system for internal control. Risks are followed up through the management's risk reviews, with documentation of risks, measures and the follow-up of incidents. In addition, Internal Audit carries out independent checks through audit projects adopted by the Board.

The company's IT systems are vital for operations as well as complete, accurate and reliable financial reporting. Errors and disruptions could affect operations and affect both customers and shareholder's trust. In worst case incidents lead to sanctions from regulators.

The company's IT platform is characterized by complexity and integration between various business systems and public systems. The operation of the IT systems is largely outsourced to various service providers. A management model has been established with close monitoring of suppliers and internal control activities in order to reduce the risk associated with IT systems' development, management, operation and information security.

The Group faces a large technology change with a shift to a cloud-based IT infrastructure. The risk increases in connection with the transformation itself, and the consequences of errors can be greater when the services are delivered through the internet. At the same time the cloud-based services and infrastructure reduces the risk regarding own-developed systems and outdated infrastructure. Insurance platform is based on purchased standard systems operated and monitored through outsourcing agreements.

Note 05 | Insurance risk

Insurance risk occurs when the company receives a fixed amount, premium, to compensate for an insurance event described in the insurance agreement with the customer. Claims expenses can be both higher and lower than paid premiums. For Storebrand Helseforsikring most insurance risk will be associated with developments in the cost of medical treatment which has a direct effect on the company's claims expenses. To reduce this risk, agreements have been entered with the largest health services providers with which the company has working relationships. Storebrand Helseforsikring has also entered into a reinsurance agreement with Munich Re, which is the company's reinsurer, to offset the effect of large claims. The company has "excess of loss" protection for 80 per cent of all claims paid above NOK 500,000 per person per year.

DEVELOPMENTS IN INSURANCE CLAIM PAYMENTS:

NOK thousand	2016	2017	2018	2019	2020	2021	Sum
Calculated gross cost of claims							
At end of the policy year	400,336	418,510	456,860	520,783	569,576	669,857	
- one year later	383,603	409,629	453,312	520,553	552,170		
- two years later	383,150	409,756	453,132	519,468			
- three years later	383,143	409,932	452,643				
- four years later	383,328	409,237					
- five years later	383,147						
Calculated amount 31.12							
Total disbursed to present	382,979	409,060	452,439	519,075	550,626	595,960	2,910,138
Claims reserve *)	168	177	204	393	1,544	73,897	76,384
Claims reserve for claims from prior years (before 2013)							573
Total trend in claims disbursed *)							76,957

*) Excluding claims handling costs which amounts to NOK 10,389 thousand in 2021

*) Business in SEK is recalculated to NOK with the exchangerate per 31.12.2021

Note
06

Financial market risk

Market risk is the risk of incurring losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Therefore, market risk is the risk of price changes in the financial markets, including changes in interest rates, and in the currency, equity, property or commodity markets, affecting the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of evaluation methods. The potential for losses in the investment portfolio on a one-year horizon is calculated and the portfolios are stress tested pursuant to the statutorily defined stress tests as well as internal models.

Storebrand Helseforsikring's portfolio consists of interest-bearing investments and is therefore mainly exposed to changes to the interest rate markets. The duration of the portfolio is 0.63. The low duration, together with active follow-up of the portfolio's credit risk means that the exposure to market risk is deemed to be low.

Note
07

Liquidity risk

Liquidity risk is the risk that the company will not have sufficient liquidity to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. Storebrand Helseforsikring's insurance liabilities are usually known long before they fall due, but a solid liquidity buffer is still important for handling unforeseen events.

At the same time company-specific liquidity strategies have been drawn up in line with statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategy defines limits for allocations to various types of assets and means that Storebrand Helseforsikring generally has money market investments which can be sold if necessary.

Note
08

Credit risk

Storebrand Helseforsikring has risk of loss associated with a counterparty does not meet their debt obligations. The risks include losses related to lack of contractual non-performance by counterparties to derivative financial instruments.

Maximum limits for credit exposure to individual debtors and for overall credit exposure within rating categories are set by the Board. Particular attention is paid to diversification of credit exposure to avoid concentrating credit risk on any particular debtors or sectors. Changes in the credit rating of debtors are monitored and followed up.

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value

Category of issuer or guarantor

NOK thousand	AAA	AA	A	BBB	Total
	Fair value	Fair value	Fair value	Fair value	Fair value
Government and government guaranteed bonds	5,112	12,741	522		18,375
Corporate bonds	96,043	41,604	207,933	49,737	395,317
Structured notes				438	438
Asset backed securities	41,643				41,643
Total interest-bearing securities 2021	142,798	54,345	208,455	50,175	455,773
Non-interest bearing securities managed by Storebrand					184
Total 2021					455,957
Total interest-bearing securities 2020	131,130	63,263	174,206	60,853	429,581

COUNTERPARTIES

NOK thousand	AAA	AA	A	BBB	Total
	Fair value	Fair value	Fair value	Fair value	Fair value
Derivatives		90	31		121
Of which derivatives in bond funds, managed by Storebrand		90	31		121
Total derivatives excluding derivatives in bond fund 2021					0
Total derivatives excluding derivatives in bond fund 2020					0
Bank deposit 2021¹⁾		26,153			26,153
Bank deposit 2020		34,018			34,018
Rating classes are based on Standard & Poor's ratings.					
¹⁾ of which tied-up bank deposits (tax deduction account)		1,165			

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

NOK thousand	2021	2020
Booked value maximum exposure for credit risk	455,146	423,277
Net credit risk	455,146	423,277
This year's change in fair value due to change in credit risk	855	392

Note
09

Climate risk

Climate change, including the effects of climate policy (transition risk) could have a negative impact on Storebrand Helseforsikring. This negative impact could be financial, regulatory and/or reputational.

Storebrand Helseforsikring assesses all climate risks based on three climate scenarios. The scenarios are based on those in the 'Network for Greening the Financial System' (NGFS) framework. The physical and transition risks differ depending on the various scenarios. The physical risk is highest in the 'hot house world' scenario, and lowest in the 'orderly' scenario. The physical risk is lower for Storebrand Helseforsikring than it is for many other non-life insurance companies, as the company insures people's health, rather than items that are deemed as more vulnerable. The risk is mitigated by annual reprising, and the fact that it only takes a short amount of time for the company to take over the risk from the customer, from when they first report the damages to when the matter has been settled. In the long-term, the transition risk is highest for the 'too little, too late' scenario. In both the short and medium term, the 'orderly' scenario has the highest transition risk. For the Norwegian company, the transition risk is higher than that of the Swedish one, due to the Norwegian economy's reliance on fossil fuels. If climate policies negatively impact the economy, this can reduce the companies' willingness to pay for health insurance, and thus negatively affect people's health.

Overall, the climate risk facing Storebrand Helse is considered to be moderate.

Note
10

Valuation of financial instruments at fair value

The Investment Manager conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices obtained from Nordic bond pricing and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium is used as a basis for these types of valuations. The credit premium will often be specific to the issuer and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

The Investment Manager continuously performs checks to ensure the quality of market data obtained from external sources. Such checks involve comparing multiple sources and checking and assessing the reasonableness of abnormal changes. The Investment Manager categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES FOR IDENTICAL ASSETS IN ACTIVE MARKETS.

This category encompasses listed equities that over the previous three months have experienced average daily trading equivalent to approximately NOK 20 million or more. Based on this, the equities are regarded as sufficiently liquid to be included at this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. The company has no such investments.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1.

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Bonds and equivalent instruments are generally classified in this level.

The company's investments are primarily in this category.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE IN ACCORDANCE WITH LEVEL 2.

Equities classified as level 3 are primarily investments in unlisted/private companies as well as funds consisting of these.

The company has no such investments.

NOK thousand	Level 1	Level 2	Level 3	Fair value	
	Quoted prices	Observable assumptions	Non-observable assumptions	2021	2020
Bonds and other fixed income securities					
Bond fund		456,078		456,078	
Total bonds and other fixed income securities 2021		456,078		456,078	
Total bonds and other fixed income securities 2020		429,581			429,581
Derivatives:					
- Currency derivatives		-932		-932	
Total derivatives 2021		-932		-932	
Total derivatives 2020		-672			-672

Note
11

Premium income per country
BREAKDOWN BETWEEN OPERATIONS IN NORWAY AND SWEDEN:

NOK thousand	Norway		Sweden		Total	
	2021	2020	2021	2020	2021	2020
Gross premiums written	439,922	392,156	532,925	483,523	972,847	875,680
Gross premium earned	424,656	382,252	507,743	462,973	932,399	845,226
Reinsurers' share	-1,734	-1,591	-705	-683	-2,438	-2,274
Earned premium for own account	422,922	380,661	507,039	462,290	929,961	842,952

Note 12 | Insurance profit and loss

NOK thousand	2021	2020
Gross business		
Written premiums	972,847	875,680
Earned premiums	932,399	845,226
Losses incurred	-707,231	-635,290
Technical result gross	225,168	209,936
Ceded business		
Earned premiums	-2,439	-2,274
Losses incurred	806	1,942
Technical result ceded	-1,633	-331
For own account		
Earned premiums	929,961	842,952
Losses incurred	-706,426	-633,347
Technical result for own account	223,535	209,605
Losses incurred gross		
Incurred this year	-727,087	-634,968
Incurred in previous years	19,856	-321
Total for the financial year	-707,231	-635,290

Note 13 | Insurance related sales and administration expenses

NOK thousand	2021	2020
Personnel expenses	56	65
Commissions	63,883	56,454
Other sales expenses	60	813
Total insurance-related sales expenses	63,998	57,332
Personell expenses	22,122	19,066
Other insurance-related operating expenses	99,438	48,122
Total insurance-related operating expenses	185,559	124,519

Note
14

Pension expenses and liabilities

Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:

- Saving starts from the first krone of salary.
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 106,399 at 31 December 2021)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2021.

There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

The pension plan for employees at SPP in Sweden follows the plan for bank employees in Sweden (BTP). SPP has a defined-contribution occupational pension known as BTP1. All new employees were enrolled in this pension agreement from and including 1 January 2014. In BTP1, the employer pays a premium for pension savings that is calculated based on pensionable salary up to 30 times the "basic income amount" (inkomstbasbelopp). The insurance includes retirement pension with or without mortality inheritance, disability pension and children's pension. The premium is calculated independently of age and is calculated primarily based on the monthly salary. The premium is paid monthly in two parts, a fixed part that is 2.5 per cent of the pensionable salary up to and including 7.5 times the "basic income amount". The optional part of the premium is 2 per cent of salary up to and including 7.5 times the "basic income amount" and 30 per cent of salary between 7.5 and 30 times the "basic income amount".

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2021	2020
Present value of insured pension benefit liabilities	107	129
Pension assets as fair value	-179	-160
Present value of the uninsured pension liabilities	-72	-31
Net pension liabilities in the statement of financial position	-72	-31

Provision for employment taxes are included in the gross obligation.

BOOKED IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2021	2020
Pension assets	72	31
Pension liabilities		

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITY IN THE PERIOD

NOK thousand	2021	2020
Net pension liability at 01.01.	94	59
Interest on pension liabilities	2	2
Experience adjustments	-25	33
Net pension liability at 31.12.	72	94

CHANGES IN THE FAIR VALUE OF PENSION ASSETS IN THE PERIOD

NOK thousand	2021	2020
Fair value of pension assets at 01.01	125	115
Expected return	2	3
Experience adjustments	17	7
Net pension assets at 31.12	144	125
Expected premium payments (defined benefit) in 2022	2400	
Expected AFP early retirement scheme payments in 2022	248	

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12:

	2021	2020
Real estate	13%	15%
Bonds at amortised cost	39%	34%
Mortgage loans and other loans	15%	20%
Equities and units	13%	12%
Bonds	19%	17%
Other short term financial assets	1%	3%
Total	100%	100%

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance.

The book (realised) investment return on assets	4,5 %	4,4 %
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NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

NOK thousand	2021	2020
Net interest expenses/expected return	-1	-1
Total defined benefit pension schemes	-1	-1
The period's payment to contribution scheme/AFP	3,343	3,184
Net pension expenses booked to profit and loss account in the period	3,343	3,182

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK thousand	2021	2020
Loss (profit) – change to the discount rate	-25	33
Loss (profit) – experienced pension funds	-17	-7
Remeasurements loss (gain) in the period	-41	27

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY AT 31.12.:

	2021	2020
Discount rate	2.0 %	1.5 %
Expected earnings growth	2.25 %	1.8 %
Expected annual increase in social security pensions	2.25 %	1.8 %
Expected annual increase in pensions in payment	0.0 %	0.0 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty. A discount rate determined by reference to covered bonds (OMF) is used. Based on observed market and volumes the Norwegian covered bond market, in Storebrands perception, must be defined as a deep market.

In determining the economic assumptions, company-specific factors, including increase in direct wages, also will be considered.

ACTUARIAL ASSUMPTIONS:

In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2021.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS14 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

Note 15

Remuneration of senior employees and elected officers of the company

The Managing Director is a member of Storebrand's pension scheme. At the end of the employment relationship the Managing Director has six months' notice. The company is under no obligation to give the Managing Director any special compensation payment at the end of the employment relationship.

NOK thousand	Ordinary salary	Bonus for the year	Other benefits ¹⁾	Total remuneration for the year	Pension accrued for the year	Loan ²⁾	No. of shares owned ³⁾
Senior employees							
Bjarke Thorøe	2,444	486	149	3,079	392	3,499	0
Total 2021	2,444	486	149	3,079	392	3,499	0
Total 2020	2,300	312	161	2,773	398	3,499	6,760

1) Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.

2) Employees can borrow up to NOK 7.0 million at a subsidised interest rate. Excess loan amounts will be subject to market terms.

3) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26

The Company has no obligations towards the Chairman upon termination or change of job. Members of the Board receive no other compensation than remuneration. Company pays directors' liability insurance for its directors.

NOK thousand	Remuneration
Board of Directors	146
Total 2021	146
Total 2020	150

Note 16 | Remuneration paid to auditors

NOK thousand	2021			2020
	Norway	Sweden	Total	Total
Statutory audit	316	110	426	366
Other services	14		14	19
Total	330	110	440	385

The amounts above is including VAT.

Note 17 | Net income from different classes of financial instruments

NOK thousand	Divident/ interest income etc.	Net gains and losses on investments	Net re- valuation on investments	Total
Net income on bonds and other fixed-income securities at fair value	4,848	854	-1,923	3,778
Net income from derivatives		-6,116	-260	-6,376
Total gains and losses on financial assets at fair value 2021	4,848	-5,262	-2,184	-2,598
Total gains and losses on financial assets at fair value 2020	6,292	10,678	-351	16,619

Note
18

Tax expenses

NOK thousand	2021	2020
Payable tax ¹⁾	13,257	23,746
Change in deferred tax	-2,147	-1,831
Total tax expenses	11,110	21,915

¹⁾ PAYABLE TAX IN THE BALANCE SHEET

NOK thousand	2021	2020
Payable tax in profit and loss account	13,257	23,746
Prepaid taxes	-6,421	-8,200
Payable tax in the balance sheet	6,836	15,546

CALCULATION OF DEFERRED TAX ASSETS AND DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSSES CARRIED FORWARD

NOK thousand	2021	2020
Tax increasing temporary differences		
Pension assets	72	31
Security reserve	38,479	44,892
Total tax increasing temporary differences	38,551	44,922
Tax reducing temporary differences		
Fixed assets and intangible assets	-6,042	-3,837
Financial assets	-2,568	-384
Allocations	-1,260	-1,260
Total tax reducing temporary differences	-9,870	-5,481
Net deferred tax assets/deferred tax before losses carried forward	28,681	39,441
Temporary differences not eligible for deferred tax	6,025	3,813
Net basis for deferred tax/tax assets	34,706	43,254
Net deferred tax asset/liability	8,677	10,814

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK thousand	2021	2020
Ordinary pre-tax profit	45,655	89,361
Expected tax on income at nominal rate	-11,414	-22,340
Tax effect of:		
permanent differences	-174	19
skattefunn (Norwegian tax incentive scheme)	1,031	1,359
temporary differences not eligible for deferred tax	-553	-953
Tax charge	11,110	21,915
Effective tax rate	24.3%	24.5%

Note
19

Intangible assets

NOK thousand	IT- systems	
	2021	2020
Acquisition cost 01.01	206,707	142,579
Additions in the period:		
Purchased separately	30,698	64,428
Scrapped		-300
Acquisition cost 31.12	237,406	206,707
Accumulated depreciation & write-downs 01.01	-85,840	-76,392
Writedown	-5,729	
Amortisation in the period	-25,804	-9,448
Accumulated depreciation & write-downs 31.12	-117,372	-85,840
Carrying amount 31.12	120,033	120,868

The intangible assets consist of IT systems. In 2018, the decision was made to invest in a new insurance system from the Danish provider TIA Technology. The system satisfies the requirements for activation in accordance with IAS 38.57 with all the demands fulfilled and will be amortized over the expected economic lifespan, which has been set at seven years. Tia was implemented in June 2021. In connection with the start-up of the system, an impairment test was conducted, which resulted in a write-down of NOK 5.7 million.

Other IT-systems are depreciated over a period of 5 years.

Note
20

Classification of financial assets and liabilities

NOK thousand	Loans and receivables	Fair value, held for sale	Fair value	Liabilities at amortised cost	Total
Financial assets					
Bank deposits	26,153				26,153
Bonds and other fixed-income securities			456,078		456,078
Accounts receivable and other short-term receivables	261,924				261,924
Total financial assets 2021	288,077	0	456,078		744,155
Total financial assets 2020	253,795	0	429,581		683,376
Finansielle forpliktelser					
Derivatives		932			932
Other current liabilities				99,115	99,115
Total financial liabilities 2021		932		99,115	100,047
Total financial liabilities 2020		672		48,628	49,300

Note 21 | Bonds and other securities with fixed return

NOK thousand	2021 Fair value	2020 Fair value
Bond fund	456,078	429,581
Total bonds and other fixed-income securities	456,078	429,581
Modified duration	0.63	0.32
Average effective yield	1.11%	0.60%

The effective yield for each security is calculated using the observed market price. Weighted effective yields for the whole portfolio is calculated on the basis of each security's share of the market value.

Note 22 | Derivatives

Nominal volume:

Financial derivatives are linked to underlying amounts which are not reported in the statement of financial position. In order to quantify a derivative position, reference is made to such underlying amounts described as the underlying nominal principal, nominal volume and the like. Nominal volume is arrived at differently for different classes of derivatives and provides some indication of the size of the position and risk the derivative creates.

Gross nominal volume mainly gives an indication of the amount, while net nominal volume gives an impression of risk positions. However nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. Unlike gross nominal volume, the calculation of net nominal volume also takes into account which direction of market risk exposure the instrument represents by differentiating between long (asset) positions and short (liability) positions.

For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK.

NOK thousand	Gross nominal volume	Gross booked value financial assets	Gross booked value financial liabilities	Net booked financial assets/liabilities	Amounts that can, but are not presented net in the balance sheet		
					Financial assets	Financial liabilities	Net amount
Currency derivatives	158,908	77,924	78,856	0	0	0	-932
Total derivatives 2021	158,908	77,924	78,856	0	0	0	-932
Total derivatives 2020	164,101	83,408	84,080	0	0	0	-672

Note 23 | Currency exposure

Financial assets and liabilities in foreign currencies

NOK thousand	Balance sheet items excl. currency derivatives Net on balance sheet	Currency derivatives Net sales	Net position	
			in currency	in NOK
SEK	-126,536	77,924	-46,531	-45,321
Total net position foreign currency 2021				-45,321
Total net position foreign currency 2020				-37,841

Note
24

Receivables due from policyholders and other receivables

NOK thousand	2021	2020
Receivables due from policyholders	251,218	206,408
Pre-paid commissions	4,250	554
Related parties - receivables from reinsurers		592
Other receivables	10,706	12,778
Carrying amount 31.12	266,175	220,331

AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE, ETC 31.12 (GROSS)

NOK thousand	2021	2020
Receivables not fallen due	219,130	197,033
Past not distributed	32,088	9,374
Gross accounts receivable/receivables from reinsurance	251,218	206,408

Note
25

Technical insurance reserves

NOK thousand	2021	2020
Gross insurance liabilities		
Booked value 01.01	435,000	360,657
Change in premium and claims reserves	25,583	49,436
Exchange rate changes	-18,376	24,906
Booked value 31.12.	442,207	435,000

ASSETS AND LIABILITIES

NOK thousand	2021	2020
Receivables concerning insurance contracts	251,218	206,408
Total assets	251,218	206,408
Premium reserve	354,860	329,779
Claims reserve	87,346	105,221
- of which IBNS	76,957	92,705
- of which settlement expenses	10,389	12,515
Liabilities in connection with direct insurance	37,210	23,980
Total liabilities	479,416	458,979

Note 26 | Other current liabilities

NOK thousand	2021	2020
Liabilities in connection with direct insurance	37,210	23,980
Accounts payable	6,066	4,230
Governmental fees and tax withholdings	4,151	3,894
Other current liabilities	701	601
Allocation to dividends	18,000	
Accrued expenses	32,988	15,923
Carrying amount 31.12	99,115	48,628

Note 27 | Transactions with related parties

Storebrand Helseforsikring is a joint venture company owned by Storebrand ASA (50%) and Ergo International AG (50%).

Transactions with related parties are included among the products and services offered by the companies to external customers. The transactions are entered into on commercial terms. For the Storebrand companies this includes occupational pensions, medical/personal injury insurance, leasing of premises, investment management, purchase and sale of services. Munich Re is Storebrand Helseforsikring's reinsurer.

For more detail, see information on executives in note 15.

NOK thousand	2021					2020				
	Purchase of services	Commissi- on costs	Net reinsu- rance cost	Receiva- bles	Liabilities	Purchase of services	Commissi- on costs	Net rein- surance cost	Receiva- bles	Liabili- ties
Munich Re					423			1,396	36	231
Ergo International AG			1,633		9,000					
Storebrand ASA					9,000	81				
Storebrand Bank ASA	112					27				
Storebrand & SPP Business Services										
NUF	7,128				236	5,529				157
Storebrand Livsforsikring AS	3,541	18,800		294	303	11,064	15,221		2,007	
SPP Pension & Försäkring AB		8,567					1,778			
Sum	11,523	27,367	1,633	582	19,699	17,592	16,999	1,396	3,756	388

Capital adequacy and solvency

Storebrand Helseforsikring AS is an insurance company subject to the European solvency regime Solvency II.

The solvency margin and the coverage of the minimum capital requirement are the key ratios in Solvency II. Companies that fall below 100 per cent solvency margin will be put under stricter supervision, and it is forbidden to have less capital than the minimum capital requirement.

The solvency margin over is the quotient between the company's solvency margin capital at the company's solvency capital requirements. The solvency margin capital that the company arrived at by first allocating regulatory capital between three groups basis capital and a residual category of supplementary capital in line with solvency II Regulation, then applying rules for how much of each category of capital that can be used. Storebrand Helseforsikring AS is financed with capital belonging to Group 1 without limitations and Group 3. Group 3 capital can't be used in the calculation of the minimum capital requirement. An overview of the company's basis capital is given below.

Solvency is calculated with the standard model under Solvency II, and the distribution of the capital requirement of the different risk modules included is shown below.

SOLVENSKAPITALKRAV OG -MARGIN

NOK thousand	Total	31.12.21			31.12.20	
		Tier 1 Unli- mited	Tier 1 Limited	Tier 2	Tier 3	Total
Share capital	33,000	33,000				33,000
Share premium	122,000	122,000				122,000
Reconciliation reserve	42,337	42,337				24,824
Deferred tax assets	17,547				17,547	16,583
Total solvency capital	214,884	197,337			17,547	196,407
Total solvency capital available to cover the minimum capital requirement	197,337					179,824

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

NOK thousand	2021	2020
Market	11,370	10,092
Counterparty	4,728	11,557
Health	146,816	137,764
Operational	27,548	25,357
Diversification	-11,537	-15,316
Loss Absorbing tax effect	-44,731	-42,363
Total solvency requirement	134,194	127,090
Solvencymargin	160.1%	154.5%
Minimum capital requirement	54,201	50,943
Minimum margin	364.1%	353.0%

DIFFERENCE PROVISIONS STATUTORY ACCOUNTS AND SOLVENCY II BALANCE

NOK thousand	2021	2020
Technical provisions statutory accounts	442,207	435,000
Future premium payments	-219,130	-203,530
Risk margin	10,294	9,702
Expected margin in future premiums	-19,071	-18,356
Discounting	-6,363	-2,629
Technical provisions solvency II value	207,937	220,187

Future premium payments on policies in force reduces reserves for solvency, which is based on cash flows. Accounts receivable on the asset side is reduced by the same amount, so that the net assets are not affected.

Risk margin shall ensure that insurance companies can be refinanced in the case of insolvency and are included only reserves for solvency purposes.

Expected margin in future premiums reduces premium provisions for solvency purposes.

Future cash flows relating to technical provisions have been discounted as a requirement after Solvency II. This decreases the allocations.

Note 29 | Number of employees

	2021	2020
Number of employees at 31.12.	27	27
Average number of employees	27	27
Fulltime equivalent positions at 31.12.	27	27
Average number of fulltime equivalents	27	26

WORDS AND EXPRESSIONS

INSURANCE PROFIT AND LOSS

Premium income less cost of claims and operating costs.

RISK PROFIT AND LOSS

Premium income less cost of claims.

COST RATIO

Operating costs as a percentage of accrued premiums.

CLAIMS RATIO

Claims paid as a percentage of accrued premiums.

COMBINED RATIO

Cost ratio plus claims ratio.

OWN ACCOUNT

Amounts added/subtracted for re-insurance.

REINSURANCE

Transfer of part of the risk to another insurance company.

INSURANCE-RELATED ALLOCATIONS [NON-LIFE INSURANCE]

For a more detailed description of insurance-related allocations and accrual of premiums and claims, see note 1 - Accounting principles.

DURATION

Average remaining period of an income stream from interest-bearing securities. Modified duration is calculated on the basis of the duration and reflects value sensitivity to underlying interest rate changes.



To the General Meeting of Storebrand Helseforsikring AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Storebrand Helseforsikring AS (the Company), which comprise the statement of comprehensive income as at 31 December 2021, the statement of financial position, statement of cash flow and statement of change in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 7 March 2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo

T: 02316, org. no.: 987 009 713 MVA, www.pwc.no

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context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of claim provisions

We have had enhanced focus on claim provisions because it has been identified as a material estimate in the financial statement. The estimate involves management using professional judgement to estimate the expect costs for cases that have been reported but not settled, and cases that have occurred but have not yet been reported to the company. Use of model, relevant assumptions and data quality are imperative for correct estimation of claim provisions in the financial statement. Small adjustments in the assertions may have significant impact on the claim provisions.

Refer to note 2, 5 and 25 in the financial statement where management has a more detailed description of claim provisions.

In our audit we have considered design and tested effectiveness of established controls related to the claims handling process and the process for estimating the claim provisions in the financial statement. This included testing of controls related to review of assumptions and method, data quality, claims handling and IT- controls relevant for financial reporting. Those controls we elected to base our audit on, was working efficiently.

We have assessed and challenged management's judgements of the valuation of claim provisions. Among procedures performed we evaluated the use of models, assumptions, and sample tested parts of the data input.

We have also assessed and concluded that the notes in the financial statement, covering claim provisions, are appropriate and adequate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

(2)



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(3)



- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 9 February 2022

PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

