

Storebrand Helseforsikring AS Annual report

2020



Annual report 2020 Storebrand Helseforsikring AS

ABOUT THE COMPANY

Storebrand Helseforsikring is 50 per cent-owned by Storebrand ASA and 50 per cent-owned by Munich Health Holding AG (MHH). 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 89.4 million (NOK 62.5 million).

Gross premium written was NOK 875.7 million (NOK 745.8 million), a 17.0 per cent increase, compared with 2019. Premium income for own account was NOK 843.0 million (NOK 725.3 million). Increased premium income are due to higher sales but also currency strengthening from SEK to NOK. 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 633.3 million (NOK 556.9 million) for the year. Claims ratio was 75.1 per cent (76.8 per cent). The company is monitoring the claims development closely to ensure a sound profitability.

Insurance-related operating costs were NOK 124.5 million (NOK 114.6 million). The cost ratio was 14.8 per cent, 1.0 percentage point lower than in the previous year. The combined ratio was 89.9 per cent (92.6 per cent) in 2020.

Storebrand Helseforsikring achieved a financial return of 1.9 per cent (1.9 per cent) for the investment portfolio. At year end 2020 the investment portfolio consists of a bond fund issued by Storebrand.

The result of the non-technical account totalled to NOK 4.2 million (NOK 9.0 million) for the year. Currency fluctuations resulted in a total currency gain/loss, including the effects of currency derivatives, of minus NOK 3.8 million. In 2020 the SEK has strengthened against the NOK. The result exchange rate changed from 0.930 to 1.023 and the balance sheet exchange rate from 0.939 to 1.043. 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 2020 was NOK 21.9 million (NOK 15.4 million). The result after tax expense is NOK 67.4 million (NOK 47.0 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 2020 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 2020 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.

2020 has been strongly affected by the Covid-19 virus and economic uncertainty. In the first quarter the concern for a severe global pandemic spread and economic consequences led to gloomy financial markets. The Norwegian currency was also negatively affected by the reduced oil price, and Norwegian interest rates suffered reductions as well. The controlled reopening of the society in the second and third quarter has been halted and reversed due to an increase in Covid-19 infections. The approval and distribution of different vaccines has started in several countries, but the effects for the population as a whole will take time. Despite an increase in equity prices and interest rates during the second half of 2020, there is still an increased uncertainty regarding the development of the pandemic, consequences for job certainty and the economy.

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.

In 2020 the insurance risk has been closely monitored due to the Covid-19 virus and the uncertainty of how the effect of the measures the authorities have imposed will affect the use of health insurance products.

CAPITAL SITUATION

Storebrand Health Insurance had a total balance of NOK 804.8 million (NOK 650.3 million) at the end of 2020. Storebrand Health Insurance equity amounted to NOK 294.2 million (NOK 226.7 million), an increase of NOK 67.5 million. It is decided not to pay any dividend for 2020.

The solidity in Storebrand Health Insurance is good and the company had a solvency margin of 155 per cent (161 per cent) for 2020. 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.

SUSTAINABILITY

Storebrand's principles for sustainability outline how sustainability is an integral part of the groups overarching targets, steering and governance processes. The principles cover all companies and underlying departments of the group, hereunder investments, products, procurement, employee relations and our own operations.

Our sustainability report is integrated into the annual report of Storebrand ASA and follows the Global Reporting Initiatives guidelines for reporting (Core requirements). The company refers to Storebrand ASA's annual report for a full description of the Groups sustainability principles and work.

CORPORATE GOVERNANCE AND TRUST

Our business relies on the trust of customers, partners, governments, shareholders and society at large. All employees shall act with due care, integrity and objectivity.

All employees are responsible for familiarizing themselves with and acting in accordance with anti-corruption guidelines, including completing mandatory training in ethics, anti-corruption, anti-money laundering and terror financing, and privacy. All managers shall ensure that this is done. All new employees complete mandatory training as part of their onboarding process. Our guidelines are reviewed and approved by the Board of Directors.

We work actively to prevent corruption, and to mitigate money laundering and terror financing throughout our own organization, through our suppliers and other business associates.

ENVIRONMENT

Storebrand 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 Storebrand Group sets strict environmental standards for suppliers and the companies it invests in. 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)

PERSONNEL, ORGANIZATION AND GOVERNING BODIES

At the end of the year there were 27 employees, compared with 25 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 69 per cent (71 per cent). The average age is 42 years and average length of service is 11 years.

EQUALITY AND DIVERSITY

The company strives to have an equal spread of men and women through all areas and levels in the company. In 2020 33 per cent of the board members were women. The share of women in the company was 69 per cent and 50 per cent of the leaders were women.

The company strives to have equal treatment and equal opportunities in all internal and external recruitment and development processes. The headquarter is a universally designed building. Storebrand Helseforsikring is committed to gender equality.

COMPETENCE

High competence is one of Storebrand Helse's most important success factors and provides the basis for renewed growth. In Storebrand expertise is synonymous with the ability of each individual employee to perform and handle certain tasks and situations. This capability is built up of knowledge and experience, skills, motivation and personality.

In Storebrand, all employees have the opportunity to develop in line with the company's needs. In 2020 the company has focused on that the biggest and most important part of human resource development happens through facilitating development in their daily work. Skills development should take place by the employees are given challenging tasks in his position, and that they get the opportunity to develop new requirements and tasks.

WORKING ENVIRONMENT AND SICK LEAVE

Storebrand Helse 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 2020 of 1.5 per cent, which are a decrease of 2.1 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. Employees may exercise at a dedicated sports facility during working hours, and the sports club has administrative responsibility for activities at the facility.

No injuries to people, property damage, or accidents of significance reported in the company in 2020.

BOARD AND MANAGEMENT CHANGES

Per Lindberg is a new member of the board in 2020. There has been no change in management during 2020.

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 210,000 customers. In 2020, 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 2020.

ALLOCATION OF PROFIT FOR THE YEAR

The 2020 result for Storebrand Helseforsikring AS was NOK 67.4 million (NOK 47.0 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	2020
Transferred to guarantee reserve	1.2
Transferred to other equity	66.2
Total	67.4

Lysaker, 18 January 2021
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Silke Lautenschläger
Chairman

Geir Holmgren

Per Lindberg

Anja Berner

Ketil Eilev Bøe

Andreas Ree

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of Comprehensive Income

1 JANUARY - 31 DECEMBER

NOK thousand	Note	2020	2019
TECHNICAL ACCOUNTS			
PREMIUMS			
Gross premiums earned		845,226	727,155
- Reinsurers' share		-2,274	-1,889
Premium income for own account	10,12	842,952	725,267
Other insurance related income		54	55
CLAIMS EXPENSES			
Incurred claims gross		-635,290	-558,564
- Reinsurers' share		1,942	1,615
Claims expenses for own account	5,12	-633,347	-556,949
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses		-57,332	-49,064
Insurance related administration expenses (incl. commissions for reinsurance receivable)		-67,188	-65,579
Insurance related operating expenses	13,14,15,16	-124,519	-114,643
Other insurance related operating costs			-265
Technical profit		85,139	53,465
NON-TECHNICAL ACCOUNTS			
NET INCOME FROM FINANCIAL ASSETS			
Interest and dividend etc from financial assets		6,292	8,272
Change in value on investments		-351	-3,287
Realised gain and loss on investments		10,678	-869
Expenses associated with administration of investments, including interest expense			-156
Net income from investments	11	16,619	3,960
Other income		2,256	5,082
Other expenses		-14,654	-42
Non-technical profit		4,221	9,001
Pre tax profit		89,361	62,466
Tax	17	-21,915	-15,421
Profit/loss for the year		67,445	47,045
OTHER COMPREHENSIVE INCOME ELEMENTS AND EXPENSES NOT TO BE RECLASSIFIED TO PROFIT/LOSS			
Change in actuarial assumptions		-27	-17
Tax on other comprehensive income and expenses not to be reclassified to profit/loss	17	7	4
Total comprehensive income		67,425	47,032

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2020	2019
ASSETS			
Intangible assets		120,868	66,187
Total intangible assets	18	120,868	66,187
FINANCIAL ASSETS AT FAIR VALUE			
Bonds and other fixed-income securities	21	429,581	363,976
Financial derivatives	22		657
Total financial assets at fair value	8,9,19	429,581	364,633
RECEIVABLES			
Receivables in connection with direct business transactions			
- Due from policyholders	24	206,408	174,287
Receivables from reinsurers			
Receivables from related parties	20,28	592	168
Other receivables	28	12,778	16,981
Total receivables	20	219,777	191,436
OTHER ASSETS			
Fixed assets			
Cash and cash equivalents	8,19	34,018	27,597
Pension assets	14	31	56
Total other assets		34,049	27,653
Prepaid costs and income earned not received		554	420
Total prepaid costs and income earned not received	20	554	420
Total assets		804,828	650,329

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2020	2019
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		15,572	14,378
Other earned equity		123,596	57,365
Total earned equity		139,169	71,743
GROSS INSURANCE LIABILITIES			
Reserve for unearned premiums gross		329,779	278,802
Claims reserve gross	5	105,221	81,855
Total insurance liabilities gross	24	435,000	360,657
RESERVES FOR LIABILITIES			
Period tax liabilities	17	15,546	5,683
Deferred tax	17	10,814	12,651
Total reserves for liabilities		26,360	18,334
LIABILITIES			
Liabilities in connection with direct insurance	24	23,980	24,213
Financial derivatives	22	672	
Other liabilities	25	8,726	8,587
Total liabilities	20	33,377	32,799
Accrued expenses and received, unearned income		15,923	11,796
Total accrued expenses and received, unearned income	19	15,923	11,796
Total equity and liabilities		804,828	650,329

Lysaker, 18 January 2021
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Silke Lautenschläger
Chairman

Geir Holmgren

Per Lindberg

Anja Berner

Ketil Eilev Bøe

Andreas Ree

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of cash flow

1 JANUARY - 31 DECEMBER

NOK thousand	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Paid-in premiums gross insurance	861,575	734,692
Paid-out claims gross insurance	-609,982	-555,873
Tax payable for the period	-5,683	-36,308
Net receipts/payments operations	-130,178	-114,213
Net receipts/payments other operational activities		-265
Net cash flow from operating activities before financial assets	115,732	28,032
Net receipts/payments - financial assets	-45,183	136,748
Net cash flow from financial assets	-45,183	136,748
Net cash flow from operating activities	70,549	164,781
CASH FLOW FROM INVESTING ACTIVITIES		
Net receipts/payments - sale/purchase of fixed assets	-64,128	-35,751
Net cash flow from investing activities	-64,128	-35,751
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid		-130,000
Net cash flow from financing activities	0	-130,000
Net cash flow for the period	6,421	-970
of which net cash flow for the period before financial assets	51,604	-137,718
Net movement in cash and cash equivalent assets	6,421	-970
Cash and cash equivalent assets at the start of the period	27,597	28,567
Cash and cash equivalent assets at the end of the periode	34,018	27,597

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 01.01.19	33,000	122,000	155,000	13,647	11,064	24,711	179,711
Profit					47,045	47,045	47,045
Change in guarantee reserve				731	-731	0	0
Change in pension experience adjustments					-17	-17	-17
Tax on other comprehensive income					4	4	4
Share dividend						0	0
Equity 31.12.19	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
Share dividend						0	0
Equity 31.12.20	33,000	122,000	155,000	15,572	123,596	139,169	294,169

SHAREHOLDERS:

NOK thousand	Number of shares	Nominal value	Share capital
Storebrand ASA	16,500	1	16,500
Munich Health Holding 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 is suggested that IFRS 9 must be implemented in 2021. At the same time, it exists a discussion document that proposes a stay for 2 years until 1. January 2023, and it is assumed that it will be approved.

IFRS 9 FINANCIAL INSTRUMENTS TO AMORTISED COST AND FVOCI

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2020	Fair value after IFRS9 1.1.2020	Booked value after IAS39 31.12.2020	Fair value after IFRS9 31.12.2020
Financial assets						
Bank deposits	AC	AC	28,567	28,567	27,597	27,597
Accounts receivable and other short-term receivables	AC	AC	179,641	179,641	191,856	191,856
Total financial assets			208,208	208,208	219,453	219,453
Financial liabilities						
Other current liabilities	AC	AC	171,631	171,631	44,595	44,595
Sum finansielle forpliktelser			171,631	171,631	44,595	44,595

IFRS9 - Financial instruments at fair value

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2020	Fair value after IFRS9 1.1.2020	Booked value after IAS39 31.12.2020	Fair value after IFRS9 31.12.2020
Financial assets						
Bonds and other fixed-income securities	FVP&L (FVO)	FVP&L	487,850	487,850	363,976	363,976
Total financial assets			487,850	487,850	363,976	363,976

AC = amortised cost

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

1.1 - CHANGES IN ACCOUNTING POLICIES

In 2020 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 has not been approved by the EU but is expected 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. The implementation date is 1 January 2023, with a requirement that comparable figures are stated.

Storebrand Helseforsikring AS is working on preparing for implementation of IFRS 17, including assessing the effects implementation of IFRS 17 will have for Storebrand's consolidated financial statements.

As of now, it is not clarified if IFRS 17 is applicable for the company accounts or just for the consolidated accounts for Storebrand Group.

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. Under the Act on Insurance Activity, insurance-related provisions must be sound.

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 RESERVE

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. IT systems are valued at acquisition cost less accumulated depreciation and any write-downs.

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 and expected remaining payments for incurred but not finally settled claims for contracts that has been in force. 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

At the end of 2020 Covid -19 due to the pandemic the macroeconomic situation causes greater uncertainty regarding several estimates. It is still considerable uncertainty regarding the development of Covid-19 and the consequences for the society.

Storebrand Helseforsikring experiences so far that Covid-19 has affected both the level of the claims and how fast the customers report the claims to the company. This makes earlier experience less useful for calculating the claims reserves. This makes the uncertainty in the claims reserves greater than usual.

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

The board of the company are responsible for ensuring that 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	2015	2016	2017	2018	2019	2020	Total
Calculated gross cost of claims							
At end of the policy year	390,809	408,320	433,758	473,386	539,513	592,493	
- one year later	378,327	397,288	424,554	469,684	539,442		
- two years later	377,984	396,828	424,674	469,515			
- three years later	377,801	396,818	424,849				
- four years later	377,815	397,003					
- five years later	378,016						
Calculated amount 31.12							
Total disbursed to present	377,810	396,780	424,578	469,086	537,629	503,051	2,708,934
Claims reserve *)	206	223	271	429	1,813	89,218	92,160
Claims reserve for claims from prior years (before 2013)							545
Total trend in claims disbursed *)							92,705

*) Excluding claims handling costs which amounts to NOK 12,515 thousand in 2020.

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 0.32. 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 withstanding 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 asset 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 Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
Government and government guaranteed bonds	3,255	19,687			22,942
Corporate bonds	103,469	43,576	174,206	60,853	382,104
Asset backed securities	24,405				24,405
Total interest-bearing securities 2020	131,130	63,263	174,206	60,853	429,452
Non-interest bearing securities managed by Storebrand					129
Total 2020					429,581
Total interest-bearing securities 2019	113,318	41,276	162,250	47,132	363,976

COUNTERPARTIES

NOK thousand	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
Derivatives					0
Total derivatives excluding derivatives in bond fund 2020					0
Total derivatives excluding derivatives in bond fund 2019		657			657
Bank deposit 2020		34,018			34,018
Bank deposit 2019		27,597			27,597

Rating classes are based on Standard & Poor's ratings.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

NOK thousand	2020	2019
Booked value maximum exposure for credit risk	423,277	363,976
Net credit risk	423,277	363,976
This year's change in fair value due to change in credit risk	392	-604

Note 09 | 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.

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	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2020	2019
Bonds and other fixed income securities					
Bond fund		429,581		429,581	
Total bonds and other fixed income securities 2020		429,581		429,581	
Total bonds and other fixed income securities 2019		363,976			363,976
Derivatives:					
- Currency derivatives		-672		-672	657
Total derivatives 2020		-672		-672	
Total derivatives 2019		657			657

Note 10 | Premium income by country

Breakdown between operations in Norway and Sweden:

NOK thousand	Norway		Sweden		Total	
	2020	2019	2020	2019	2020	2019
Gross premiums written	392,156	348,012	483,523	397,834	875,680	745,847
Gross premium earned	382,252	339,163	462,973	387,993	845,226	727,155
Reinsurers' share	-1,591	-1,304	-683	-585	-2,274	-1,889
Earned premium for own account	380,661	337,859	462,290	387,408	842,952	725,267

Note 11 | Net income from different classes of financial instruments

NOK thousand	Dividend/ interest income etc.	Net gains and losses on investments	Net revaluation on investments	Total
Net income on bonds and other fixed-income securities at fair value	6,292	33	978	7,303
Net income from derivatives		10,645	-1,329	9,316
Total gains and losses on financial assets at fair value 2020	6,292	10,678	-351	16,619
Total gains and losses on financial assets at fair value 2019	8,272	-869	-3,287	4,116

Note 12 | Insurance profit and loss

NOK thousand	2020	2019
Gross business		
Written premiums	875,680	745,847
Earned premiums	845,226	727,155
Losses incurred	-635,290	-558,564
Technical result gross	209,936	168,592
Ceded business		
Earned premiums	-2,274	-1,889
Losses incurred	1,942	1,615
Technical result ceded	-331	-274
For own account		
Earned premiums	842,952	725,267
Losses incurred	-633,347	-556,949
Technical result for own account	209,605	168,318
Losses incurred gross		
Incurred this year	-634,968	-561,885
Incurred in previous years	-321	3,321
Total for the financial year	-635,290	-558,564

Note 13 | Insurance related sales and administration expenses

NOK thousand	2020	2019
Personnel expenses	65	193
Commissions	56,454	48,683
Other sales expenses	813	31
Total insurance-related sales expenses	57,332	48,908
Personell expenses	19,066	21,123
Other insurance-related operating expenses	48,122	44,877
Total insurance-related operating expenses	124,519	114,908

Note 14

Pensions costs and pension 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 101,351 at 31 December 2020)
- 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 2020. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partially disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. 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".

The pension in the BTP2 agreement (defined-benefit occupational pension that is a closed scheme) amounts to 10 per cent of the annual salary up to 7.5 times the "basic income amount" (which was SEK 66,800 in 2020 and will be SEK 68,200 in 2021), 65 per cent of salary in the interval from 7.5 to 20, and 32.5 per cent in the interval from 20 to 30. No retirement pension is paid for the portion of salary in excess of 30 times the "basic income amount". Full pension entitlement is reached after 30 years of membership in the pension scheme. In addition to the defined-benefit part, the BTP plan has a smaller defined-contribution component. Here the employees can decide themselves how assets are to be invested (traditional insurance or unit-linked insurance). The defined-contribution part is 2 per cent of the annual salary.

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

NOK thousand	2020	2019
Present value of insured pension benefit liabilities	129	94
Pension assets as fair value	-160	-150
Net pension liability/surplus for the insured schemes		
Present value of the uninsured pension liabilities	-31	-56
Net pension liabilities in the statement of financial position	-31	-56

Provision for employment taxes are included in the gross obligation.

BOOKED IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2020	2019
Pension assets	31	56
Pension liabilities		

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITY IN THE PERIOD

NOK thousand	2020	2019
Net pension liability at 01.01.	59	37
Interest on pension liabilities	2	2
Experience adjustments	33	21
Net pension liability at 31.12.	94	59

CHANGES IN THE FAIR VALUE OF PENSION ASSETS IN THE PERIOD

NOK thousand	2020	2019
Fair value of pension assets at 01.01	115	107
Expected return	3	4
Experience adjustments	7	4
Net pension assets at 31.12	125	115

Expected premium payments (defined benefit) in 2021	2,090	
Expected AFP early retirement scheme payments in 2021	248	

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

	2020	2019
Real estate	15%	13%
Bonds at amortised cost	34%	36%
Mortgage loans and other loans	20%	13%
Equities and units	12%	15%
Bonds	17%	20%
Other short term financial assets	3%	1%
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	4.4 %	3.6 %
---	-------	-------

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

NOK thousand	2020	2019
Net interest expenses/expected return	-1	-2
Total defined benefit pension schemes	-1	-2
The period's payment to contribution scheme/AFP ')	3,184	2,896
Net pension expenses booked to profit and loss account in the period	3,182	2,893

*) 2019 is changed and includes employer tax

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK thousand	2020	2019
Loss (profit) – change to the discount rate	33	21
Loss (profit) – experienced pension funds	-7	-4
Remeasurements loss (gain) in the period	27	17

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

	2020	2019
Discount rate	1.5 %	2.2 %
Expected earnings growth	1.75 %	2.0 %
Expected annual increase in social security pensions	1.75 %	2.0 %
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 2020.

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	2,300	312	161	2,773	398	3,499	6760
Total 2020	2,300	312	161	2,773	398	3,499	6760
Total 2019	2,260	899	151	3,310	382	3,500	1760

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

2) Employees can borrow up to NOK 7.0 million at a subsidised interest rate, which at present is set at 1,19 per cent p.a. 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.

NOK thousand	Remuneration
Board of Directors	150
Total 2020	150
Total 2019	150

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.

Note
16

Remuneration paid to auditors

NOK thousand	2020			2019
	Norway	Sweden	Total	Total
Statutory audit	259	107	366	379
Tax services	19		19	0
Total	278	107	385	379

The amounts above is including VAT.

Note
17

Tax expenses

NOK thousand	2020	2019
Payable tax ¹⁾	23,746	18,231
Correction of prior year		-409
Change in deferred tax	-1,831	-2,400
Total tax expenses	21,915	15,422

¹⁾ PAYABLE TAX IN THE BALANCE SHEET

NOK thousand	2020	2019
Payable tax in profit and loss account	23,746	18,231
Prepaid taxes	-8,200	-12,548
Payable tax in the balance sheet	15,546	5,683

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

NOK thousand	2020	2019
Tax increasing temporary differences		
Pension assets	31	56
Security reserve	44,892	51,305
Total tax increasing temporary differences	44,922	51,360
Tax reducing temporary differences		
Fixed assets and intangible assets	-3,837	-34
Financial assets	-384	-33
Allocations	-1,260	-688
Total tax reducing temporary differences	-5,481	-688
Net deferred tax assets/deferred tax before losses carried forward	39,441	50,673
Temporary differences not eligible for deferred tax	3,813	
Net basis for deferred tax/tax assets	43,254	50,673
Net deferred tax asset/liability	10,814	12,668

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK thousand	2020	2019
Ordinary pre-tax profit	89,361	62,466
Expected tax on income at nominal rate	-22,340	-15,616
Tax effect of:		
permanent differences	19	-214
skattefunn (Norwegian tax incentive scheme)	1,359	
temporary differences not eligible for deferred tax	-953	
Changes from previous years		409
Tax charge	-21,915	-15,422
Effective tax rate	24.5 %	24.7 %

Note
18

Intangible assets

NOK thousand	IT-systemes	
	2020	2019
Acquisition cost 01.01	142,579	106,829
Additions in the period:		
Purchased separately	64,428	35,751
Scrapped	-300	
Acquisition cost 31.12	206,707	142,579
Accumulated depreciation & write-downs 01.01	-76,392	-68,960
Writedown		
Amortisation in the period	-9,448	-7,431
Accumulated depreciation & write-downs 31.12	-85,839	-76,392
Carrying amount 31.12	120,868	66,188

The intangible assets consist of IT systems. In 2018 it was decided to invest in a new core insurance system from the Danish company TIA Technology. The system satisfies the requirements in IAS 38 and will be amortized over the expected economic lifetime. Amortization will start when the system is ready for use. It is estimated that the system will be ready for use in April 2021. Other IT-systems are depreciated over a period of 5 years.

Note
19

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	34,018				34,018
Bonds and other fixed-income securities			429,581		429,581
Accounts receivable and other short-term receivables	219,777				219,777
Derivatives					0
Total financial assets 2020	253,795	0	429,581		683,376
Total financial assets 2019	219,033	657	363,976		583,666
Financial liabilities					
Derivatives		672			672
Other current liabilities				48,628	48,628
Total financial liabilities 2020				48,628	49,300
Total financial liabilities 2019				44,595	44,595

Note 20 | Accounts receivable and other short-term receivables

NOK thousand	2020	2019
Accounts receivable	206,408	174,287
Pre-paid commissions	554	420
Related parties - receivables from reinsurers	592	168
Other current receivables	12,778	16,981
Carrying amount 31.12	220,331	191,856

AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE, ETC 31.12 (GROSS)

NOK thousand	2020	2019
Receivables not fallen due	197,033	164,866
Past not distributed	9,374	9,420
Gross accounts receivable/receivables from reinsurance	206,408	174,287
Net accounts receivable/receivables from reinsurance	206,408	174,287

Note 21 | Bonds and other fixed-income securities

NOK thousand	2020 Fair value	2019 Fair value
Bond fund	429,581	363,976
Total bonds and other fixed-income securities	429,581	363,976
Modified duration	0.32	0.50
Average effective yield	0.67 %	1.84 %

The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total 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. Figures for average gross nominal volume are based on daily calculations of gross nominal volume.

NOK thousand	Gross nominal volume	Gross booked value fin. assets	Gross booked value fin. Liabilities	Net booked fin. assets/ liabilities	Amounts that can, but are not presented net in the balance sheet		
					Fin. assets	Fin. liabilities	Net amount
Currency derivatives	164,101	83,408	84,080				-672
Total derivatives 2020	164,101	83,408	84,080				-672
Total derivatives 2019	154,463	75,100	74,442				657

Note 23 | Currency exposure

Financial assets and liabilities in foreign currencies

Financial assets and liabilities in foreign currencies NOK thousand	Balance sheet items excl. currency derivatives	Currency derivatives	Net position	
	Net on balance sheet	Net sales	in currency	in NOK
SEK	-119,705	83,408	-36,297	-37,841
Total net position foreign currency 2020				-37,841
Total net position foreign currency 2019				-18,866

Note 24 | Technical insurance reserves

NOK thousand	2020	2019
Gross insurance liabilities		
Booked value 01.01	360,657	347,762
Change in premium and claims reserves	49,436	21,298
Exchange rate changes	24,906	-8,403
Booked value 31.12.	435,000	360,657

ASSETS AND LIABILITIES

NOK thousand	2020	2019
Receivables concerning insurance contracts	206,408	44,595
Total assets	206,408	44,595
Premium reserve	329,779	278,802
Claims reserve	105,221	81,855
- of which IBNS	92,705	72,119
- of which settlement expenses	12,515	9,736
Liabilities concerning insurance contracts	23,980	24,213
Total liabilities	458,979	384,870

Note
25

Current liabilities

NOK thousand	2020	2019
Liabilities in connection with direct insurance	23,980	24,213
Accounts payable	4,230	3,513
Governmental fees and tax withholdings	3,894	4,469
Other current liabilities	601	605
Accrued expenses	15,923	11,796
Carrying amount 31.12	48,628	44,595

Note
26

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 four 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. Because Storebrand Helseforsikring AS is only financed with capital belonging to Group 1 without limitations, the company has opportunity to use all his capital in solvency margin calculations. 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.

SOLVENCY CAPITAL

NOK thousand	Total	31.12.20			31.12.19	
		Tier 1 Unlimited	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	24,824	24,824				21,736
Deferred tax assets	16,583				16,583	0
Total solvency capital	196,407					176,736
Total solvency capital available to cover the minimum capital requirement	179,824					176,736

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

NOK thousand	2020	2019
Market	10,092	10,865
Counterparty	11,557	12,072
Health	137,764	117,610
Operational	25,357	21,815
Diversification	-15,316	-16,007
Loss Absorbing tax effect	-42,363	-36,589
Total solvency requirement	127,090	109,767
Solvencymargin	154.5 %	161.0 %
Minimum capital requirement	50,943	42,778
Minimum margin	353.0 %	413.1 %

DIFFERENCE PROVISIONS STATUTORY ACCOUNTS AND SOLVENCY II BALANCE

NOK thousand	2020	2019
Technical provisions statutory accounts	435,000	360,657
Future premium payments	-203,530	-168,832
Risk margin	9,702	8,123
Expected margin in future premiums	-18,356	-19,099
Discounting	-2,629	-6,523
Technical provisions solvency II value	220,187	174,326

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 27 | Number of employees

	2020	2019
Number of employees at 31.12.	27	25
Average number of employees	27	27
Fulltime equivalent positions at 31.12.	27	25
Average number of fulltime equivalents	26	27

Transactions with related parties

Storebrand Helseforsikring is a joint venture company owned by Storebrand ASA (50%) and Munich Health Holding 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	2020					2019				
	Purchase of services ¹⁾	Commission costs	Net reinsurance cost	Receivables	Liabilities	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities
Munich Re			331	592				274		
Storebrand ASA	81					78				
Storebrand Asset Management ASA						156				
Storebrand Bank ASA	27									
Storebrand & SPP Business Services NUF	5,529				157	2,461				855
Storebrand Livsforsikring AS	11,064	15,221		2,007		14,137	14,750		1,923	
SPP Pension & Försäkring AB		1,778					1,560			
Storebrand Forsikring AS	892			1,713		459			1,947	
Total	17,592	16,999	331	4,311	157	17,291	16,310	274	3,869	855

1) Purchase of services from Storebrand Livsforsikring AS includes capitalized on IT systems with NOK 5,729 thousand.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Helseforsikring AS, which comprise the Statement of financial position as at 31 December 2020, the Statement of comprehensive income, Statement of scash 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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

(2)



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.

- 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 February 2021

PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant

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

Main office:
Professor Kohts vei 9
PO Box 474, N-1327 Lysaker
Telephone 915 08 880
storebrand.no

