



If you become ill or injured you would like a quick return to everyday life. With our health insurance, you will get specialist treatment within two weeks.

Emma Guldbrandsen
Storebrand



Annual report 2019 Storebrand Helseforsikring AS

ABOUT THE COMPANY

Storebrand Helseforsikring AS 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. The company is 50 per cent-owned by Storebrand ASA and 50 per cent-owned Munich Health Holding AG (MHH).

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 62.5 million (NOK 85.6 million).

Gross premium written was NOK 745.8 million (NOK 703.3 million), a 6.0 per cent increase, compared with 2018. Premium income for own account was NOK 725.3 million (NOK 683.8 million). 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.

Claims incurred for own account were NOK 556.9 million (NOK 481.2 million) for the year. Claims ratio was 76.8 per cent (70.4 per cent). The company is monitoring the claims development closely to ensure a sound profitability.

Insurance-related operating costs were NOK 114.6 million (NOK 121.9 million). The cost ratio was 15.8 per cent, 2.0 percentage points lower than in the previous year. The combined ratio was 92.6 per cent (88.2 per cent) in 2019.

Storebrand Helseforsikring achieved a financial return of 1.9 per cent (1.5 per cent) for the investment portfolio. Year end 2019 all of the investment portfolio has been invested in one of Storebrand's bond funds.

The result of the non-technical account totalled NOK 9.0 million (NOK 4.6 million) for the year. Currency fluctuations resulted in a total currency gains/losses, including the effects of currency derivatives, of NOK 0.3 million. The company has a conservative investment strategy.

Storebrand Helseforsikring is in a tax-paying position. The tax expense for 2019 was NOK 15.4 million (NOK 19.7 million). The result after tax expense is NOK 47.0 million (NOK 65.9 million).

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

In the best judgment of the board, the annual financial statement for 2019 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 2019 financial statement having occurred after the reporting date.

RISKS

Storebrand Helseforsikring continuously follows up and manages the company's risk.

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 is 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.

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 low to moderate, with the agreements that have been entered into.

CAPITAL SITUATION

Storebrand Health Insurance had a total balance of NOK 650.3 million (NOK 738.3 million) at the end of 2019. Storebrand Health Insurance equity amounted to NOK 226.7 million (NOK 179.7 million), an increase of NOK 47.0 million. It is decided not to pay any dividend for 2019.

The solidity in Storebrand Health Insurance is good and the company had a solvency margin of 161 per cent (143 per cent) for 2019. The company's strategy is to hold a solid 140 per cent solvency.

The company is subject to the Solvency II regulations for insurance companies 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

The Storebrand Group's work on sustainability has its origins in asset management, where we established a dedicated sustainability analysis for our investments in 1995. We have guidelines for how we operate and work on sustainability which apply to our entire business. We have a number of commitments to sustainability through participation in international cooperation, including UNPRI, the UN's Principles for Responsible Investment, and PSI, the UN's Principles for Sustainable Insurance. Sustainability reporting is integrated into Storebrand ASA's annual report and follows the Global Reporting Initiative's (GRI) reporting guidelines.

ETHICS AND TRUST

Trust is the lifeblood of Storebrand. The company requires that its employees must maintain high ethical standards. Storebrand also has ethical rules that are an essential tool of everyday life, and every year they are followed up with training and research. Management teams at every level in the Group discuss ethical dilemmas and go through the regulations at least once a year. Group rules regarding anti-corruption, whistleblowing and combating internal fraud are contained in the Ethical rules and applies to all employees and consultants working for Storebrand.

ENVIRONMENT

The company works purposefully to reduce its impact on the environment, both through its own operations, investments, procurement and property management. The emissions we still have, through travel and energy are compensated through the purchase of verified carbon offsets. 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 25 employees, compared with 30 at the beginning of the year. 1 person is employed at the branch in Sweden, compared with 2 at the beginning of the year. The share of women in the company is 71 per cent (75 per cent). The average age is 42 years and average length of service is 12 years.

DIVERSITY

Like the rest of society, the company has evolved towards increased cultural diversity. The company strives equal treatment and equal opportunities in all internal and external recruitment and development processes. The headquarters 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 2019 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 2019 of 3.6 per cent, which are a decrease of 2.4 percentage points compared with 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. Storebrand Helse 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 2019.

BOARD AND MANAGEMENT CHANGES

Geir Holmgren has entered the company board in 2019, while Heidi Skaaret and Michaela S. Brunheim has left the company board. Silke Lautenschläger is now chair of the board. There has been no change in management during 2019.

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 194,000 customers. In 2019, the most important sales channels in Norway were Storebrand's distribution network and brokers. The most important distribution channels in Sweden are 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 2019.

ALLOCATION OF PROFIT FOR THE YEAR

The 2019 result for Storebrand Helseforsikring AS was NOK 47.0 million (NOK 65.9 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	2019
Transferred to guarantee reserve	0.7
Transferred from other equity	46.3
Total	47.0

Lysaker, 30 January 2020
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Silke Lautenschläger
Chairman

Geir Holmgren

Anja Berner

Ketil Eilev Bøe

Andreas Ree

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of Comprehensive Income

1 JANUARY - 31 DECEMBER

NOK thousand	Note	2019	2018
TECHNICAL ACCOUNTS			
PREMIUMS			
Gross premiums earned		727,155	685,576
- Reinsurers' share		-1,889	-1,756
Premium income for own account	10,12	725,267	683,820
Other insurance related income		55	124
CLAIMS EXPENSES			
Incurred claims gross		-558,564	-481,468
- Reinsurers' share		1,615	300
Claims expenses for own account	5,12	-556,949	-481,169
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses		-49,064	-51,201
Insurance related administration expenses (incl. Commissions for reinsurance receivable)		-65,579	-70,650
Insurance related operating expenses	13,14,15,16	-114,643	-121,851
Other insurance related operating expenses		-265	
Technical profit		53,465	80,924
NON-TECHNICAL ACCOUNTS			
NET INCOME FROM FINANCIAL ASSETS			
Interest and dividend etc from financial assets		8,272	11,167
Change in value on investments		-3,287	2,485
Realised gain and loss on investments		-869	-8,788
Expenses associated with administration of investments, including interest expense		-156	-498
Net income from investments	11	3,960	4,366
Other income		5,082	461
Other expenses		-42	-180
Non-technical profit		9,001	4,647
Pre tax profit		62,466	85,571
Tax	17	-15,421	-19,674
Profit/loss for the year		47,045	65,897
OTHER COMPREHENSIVE INCOME ELEMENTS AND EXPENSES NOT TO BE CLASSIFIED TO PROFIT/LOSS			
Change in actuarial assumptions		-17	26
Tax on other comprehensive income and expenses not to be classified to profit/loss	17	4	-6
Total comprehensive income		47,032	65,916

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2019	2018
ASSETS			
Intangible assets	18	66,187	37,868
Total intangible assets		66,187	37,868
FAIR VALUE FINANCIAL INVESTMENTS			
Bonds and other securities - fixed yield	22	363,976	487,850
Financial derivatives	23	657	4,255
Total fair value financial instruments	8,9,20	364,633	492,104
RECEIVABLES			
Receivables in connection with direct business transactions			
- Due from policyholders	25	174,287	161,172
Receivables from related parties		168	
Other receivables	29	16,981	17,477
Total receivables	20,21	191,436	178,648
OTHER ASSETS			
Fixed assets	19		
Cash and cash equivalents	8,20	27,597	28,567
Pension assets	14	56	70
Total other assets		27,653	28,637
Prepaid costs and income earned not received		420	992
Total prepaid costs and income earned not received	21	420	992
Total assets		650,329	738,251

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2019	2018
EQUITY CAPITAL AND LIABILITIES			
PAID IN CAPITAL			
Share capital		33,000	33,000
Share premium reserve		122,000	122,000
Total paid in capital	27	155,000	155,000
EARNED EQUITY			
Allocation to guarantee scheme		14,378	13,647
Other earned equity		57,365	11,064
Total earned equity	27	71,743	24,711
GROSS INSURANCE LIABILITIES			
Reserve for unearned premiums gross		278,802	266,982
Claims reserve gross	5	81,855	80,780
Total insurance liabilities gross	25	360,657	347,762
RESERVES FOR LIABILITIES			
Period tax liabilities	17	5,683	24,092
Deferred tax	17	12,651	15,055
Total reserves for liabilities		18,334	39,147
LIABILITIES			
Liabilities in connection with direct insurance	25	24,213	13,492
Allocation to dividends	29		130,000
Liabilities to related parties	29		268
Other liabilities	26	8,587	16,011
Total liabilities	20	32,799	159,771
Accrued expenses and received, unearned income		11,796	11,860
Total accrued expenses and received, unearned income	20	11,796	11,860
Total equity and liabilities		650,329	738,251

Lysaker, 30 January 2020
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Silke Lautenschläger
Chairman

Geir Holmgren

Anja Berner

Ketil Eilev Bøe

Andreas Ree

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of cash flow

1 JANUARY - 31 DECEMBER

NOK thousand	2019	2018
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Paid-in premiums gross insurance	734,692	689,556
Paid-out claims gross insurance	-555,873	-472,787
Tax payable for the period	-36,308	-33,327
Net receipts/payments operations	-114,213	-109,957
Net receipts/payments other operational activities	-265	
Net cash flow from operational activities before financial assets	28,032	73,484
Net receipts/payments - financial assets	136,748	19,812
Net cash flow from financial assets	136,748	19,812
Net cash flow from operational activities	164,781	93,296
CASH FLOW FROM INVESTMENT ACTIVITIES		
Net receipts/payments - sale/purchase of fixed assets	-35,751	-28,368
Net cash flow from investment activities	-35,751	-28,368
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	-130,000	-78,674
Net cash flow from financing activities	-130,000	-78,674
Net cash flow for the period	-970	-13,746
of which net cash flow for the period before financial assets	-137,718	-33,558
Net movement in cash and cash equivalent assets	-970	-13,746
Cash and cash equivalent assets at start of the period	28,567	42,313
Cash and cash equivalent assets at the end of the periode	27,597	28,567

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 01.01.18	33,000	122,000	155,000	13,041	75,753	88,795	243,795
Profit					65,897	65,897	65,897
Change in guarantee reserve				606	-606	0	0
Change in pension experience adjustments					26	26	26
Tax on other comprehensive income					-6	-6	-6
Share dividend					-130,000	-130,000	-130,000
Equity 31.12.18	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
Equity 31.12.19	33,000	122,000	155,000	14,378	57,365	71,743	226,743

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.

1.1 - CHANGES IN ACCOUNTING PRINCIPLES

IFRS 9

IFRS 9 Financial Instruments have replaced IAS 39 and entered into force from 1 January 2018. For insurance-dominated groups and companies, IFRS 4 allows for either the implementation of IFRS 9 to be deferred (deferral approach) or to enter the differences between IAS 39 and IFRS 9 through Other Comprehensive Income (overlay approach) until implementation of IFRS 17 on 1 January 2022. Storebrand Helseforsikring AS qualifies for temporary deferral of IFRS 9.

IFRS 9 FINANCIAL INSTRUMENTS TO AMORTISED COST AND FV OCI

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value	Fari value	Booked value	Fari value
			after IAS 39 1.1.2019	after IFRS 9 1.1.2019	after IAS 39 31.12.2019	after IFRS 9 31.12.2019
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	Fari value	Booked value	Fari value
			after IAS 39 1.1.2019	after IFRS 9 1.1.2019	after IAS 39 31.12.2019	after IFRS 9 31.12.2019
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

1.2 - USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

In preparing the accounts, management must make assumptions and estimates which affect the recognized value of assets, liabilities, revenue and costs and also the notes concerning conditional liabilities. Actual amounts may differ from these estimates. See note 2 for further information about this.

1.3 - 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.

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.

1.4 – 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.

1.4.1 - UNEARNED PREMIUMS (PREMIUM RESERVE)

Reserve for unearned premium for own account 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.

1.4.2 - CLAIMS RESERVE

The claims reserve is a reserve for expected claims that have been reported, but not settled. The reserve also covers expected claims for losses that have been incurred, but have not been reported at the expiry of the accounting period. In addition, claims reserves shall include a separate provision for future claims on losses that have not been settled.

1.4.3 - 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 store in the Swedish branch.

1.5 - 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.

1.6 - TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed assets comprise equipment, fixtures and fittings and IT systems. Equipment, inventory and 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 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. 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 Group. 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. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

1.7 - 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 carry forwards, deductible temporary differences and taxable temporary differences.

Changes in assets and liabilities associated with deferred tax that are due to changes in the tax rate are generally recognised in the income statement.

1.8 - 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. The insurance reserves for IBNR and RBNS are estimated, and the size of the estimates are not certain. A change of assessments and estimates may increase or reduce the reserved amounts.

Note
03

Risk management and internal control

Storebrand Helseforsikring's income and performance are dependent on external factors that are associated with uncertainty. The most important external risk factors are the developments in the financial markets and the occurring of major damages. Certain internal operational factors can also result in losses, e.g. errors linked to the underwriting or payment of claims.

Continuous monitoring and active risk management are therefore 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. In terms of function the independent control functions are affiliated with the Group CRO, who is responsible to the group CEO. Storebrand Helseforsikring buys these services on an equal basis with the wholly owned subsidiaries of Storebrand ASA.

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.

Contingency plans have been prepared to deal with serious incidents in business-critical processes and recovery plans.

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 shareholders trust. In worst case incidents lead to sanctions from regulators.

Storebrand'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. There is established a management model 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. Insurance platform is based on purchased standard systems operated and monitored through outsourcing agreements.

Note
05

Insurance risk

Insurance risk is about protecting oneself against financial loss when events occur. In other words, insurance involves a sharing of risk between many policyholders where the risk reflects probability and impact. 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.

DEVELOPMENT IN INSURANCE CLAIM PAYMENT:

NOK thousand	2014	2015	2016	2017	2018	2019	Total
Calculated gross cost of claims							
At end of the policy year	310,833	370,481	393,081	410,665	448,358	511,146	
- one year later	320,374	358,709	376,562	401,950	444,889		
- two years later	320,101	358,368	376,113	402,081			
- three years later	320,010	358,194	376,107				
- four years later	319,918	358,209					
- five years later	319,924						
Calculated amount 31.12							
Total disbursed to present	319,918	358,192	376,057	401,890	443,667	440,525	2,340,248
Claims reserve ¹⁾	6	17	51	191	1,222	70,621	72,108
Claims reserve for claims from prior years (before 2013)							11
Total trend in claims disbursed							72,119

1) Excluding claims handling costs which amounts to NOK 9,736 thousand in 2019

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 0.50. 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 has risk of loss associated with a counterparty 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	2,977	21,889			24,866
Corporate bonds	110,341	19,387	162,250	47,132	339,110
Total interest-bearing securities 2019	113,318	41,276	162,250	47,132	363,976
Total interest-bearing securities 2018	48,306	97,520	178,803	163,221	487,850

COUNTERPARTIES

NOK thousand	AAA	AA	A	BBB	Total
	Fair value	Fair value	Fair value	Fair value	Fair value
Derivatives		657			657
Total derivatives excluding derivatives in bond fund 2019		657			657
Total derivatives excluding derivatives in bond fund 2018			4,255		4,255
Bank deposit 2019		27,597			27,597
Bank deposit 2018		28,567			28,567

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

NOK thousand	2019	2018
Booked value maximum exposure for credit risk	363,976	487,872
Net credit risk	363,976	487,872
This year's change in fair value due to change in credit risk	-604	239

Valuation of financial instruments at fair value

The company buys the asset management services from Storebrand Asset Management ASA and it conducted 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 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.

The Company has no such investments.

NOK thousand	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2019	2018
Bonds and other fixed income securities					
- Government and Government guaranteed bonds					120,670
- Corporate bonds					342,024
- Mortgage and asset backed bonds					25,156
Bond fund		363,976		363,976	
Total bonds and other fixed income securities 2019		363,976		363,976	
Total bonds and other fixed income securities 2018		487,850			487,850
Derivatives:					
- Currency derivatives		657		657	4,255
Total derivatives 2019		657		657	
Total derivatives 2018		4,255			4,255

Note
10

Premium income by country

BREAKDOWN BETWEEN OPERATIONS IN NORWAY AND SWEDEN:

NOK thousand	Norway		Sweden		Total	
	2019	2018	2019	2018	2019	2018
Gross premiums written	348,012	319,520	397,834	383,758	745,847	703,277
Gross premium earned	339,163	316,746	387,993	368,831	727,155	685,576
Reinsurers' share	-1,304	-1,201	-585	-554	-1,889	-1,756
Earned premium for own account	337,859	315,544	387,408	368,276	725,267	683,820

Note
11

Net financial income

NOK thousand	Divident/ 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	8,272	-203	311	8,380
Net income from derivatives		-666	3,598	-4,264
Total gains and losses on financial assets at fair value 2019	8,272	-869	-3,287	4,116
Total gains and losses on financial assets at fair value 2018	11,167	-8,788	2,485	4,864

Note 12 | Technical result

NOK thousand	2019	2018
Gross business		
Written premiums	745,847	703,277
Earned premiums	727,155	685,576
Ceded premiums	-558,564	-481,468
Technical result gross	168,592	204,108
Ceded business		
Earned premiums	-1,889	-1,756
Losses incurred	1,615	300
Technical result ceded	-274	-1,456
For own account		
Earned premiums	725,267	683,820
Losses incurred	-556,949	-481,169
Technical result for own account	168,318	202,651
Losses incurred gross		
Incurred this year	-561,885	-491,098
Incurred in previous years	3,321	9,630
Total for the financial year	-558,564	-481,468

Note 13 | Insurance-related sales and administration expenses

NOK thousand	2019	2018
Personnel expenses	193	749
Commissions	48,683	50,429
Other sales expenses	31	-475
Total insurance-related sales expenses	48,908	50,702
Personell expenses	21,123	23,036
Other insurance-related operating expenses	44,877	48,112
Total insurance-related operating expenses	114,908	121,851

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 99,858 at 31 December 2019)
- 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 2018. 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 ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP. From the year 2020 retirement age is changed to 68 years.

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

NOK thousand	2019	2018
Present value of insured pension benefit liabilities	94	72
Pension assets as fair value	-150	-142
Net pension liability/surplus for the insured schemes		
Present value of the uninsured pension liabilities	-56	-70
Net pension liabilities in the statement of financial position	-56	-70

Provision for employment taxes are included in the gross obligation.

BOOKED IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2019	2018
Pension assets	56	70
Pension liabilities		

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITY IN THE PERIOD

NOK thousand	2019	2018
Net pension liability at 01.01.	37	42
Interest on pension liabilities	2	2
Experience adjustments	21	-7
Net pension liability at 31.12.	59	37

CHANGES IN THE FAIR VALUE OF PENSION ASSETS IN THE PERIOD

NOK thousand	2019	2018
Fair value of pension assets at 01.01	107	85
Expected return	4	3
Experience adjustments	4	19
Net pension assets at 31.12	115	107

Expected premium payments (contributions) in 2020	0
Expected premium payments (defined benefit) in 2020	1,826
Expected AFP early retirement scheme payments in 2020	248

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

	2019	2018
Real estate	13%	14%
Bonds at amortised cost	36%	36%
Mortgage loans and other loans	13%	14%
Equities and units	15%	12%
Bonds	20%	24%
Other short term financial assets	1%	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	3.6 %	2.2 %
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NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

NOK thousand	2019	2018
Net interest expenses/expected return	-2	-1
Total defined benefit pension schemes	-2	-1
The period's payment to contribution scheme/AFP	2,431	2,325
Net pension expenses cost booked to profit and loss account in the period	2,429	2,324

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK thousand	2019	2018
Loss (profit) – change to the discount rate	21	-6
Loss (profit) – experienced pension funds	-4	-19
Remeasurements loss (gain) in the period	17	-26

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

	2019	2018
Discount rate	2.2 %	2.8 %
Expected earnings growth	2.0 %	2.5 %
Expected annual increase in social security pensions	2.0 %	2.5 %
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 2019.

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	2,260	899	151	3,310	382	3,500	1760
Total 2019	2,260	899	151	3,310	382	3,500	1760
Total 2018	2,263		150	2,413	334	3,500	1200

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, which is set at 42 bp below the best current market 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.

NOK thousand	Remuneration
Board of Directors	150
Total 2019	150
Total 2018	95

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	2019			2018
	Total	Norway	Sweden	Total
Statutory audit	303	227	76	306
Tax services				
Total	303	227	76	306

The amounts above is excluding VAT.

Note
17

Tax costs

NOK thousand	2019	2018
Payable tax ¹⁾	18,231	28,371
Correction of prior year	-409	-1,765
Change in deferred tax	-2,400	-6,931
Total tax expenses	15,422	19,674

¹⁾ PAYABLE TAX IN THE BALANCE SHEET

NOK thousand	2019	2018
Payable tax in profit and loss account	18,231	28,371
Prepaid taxes	-12,548	-4,279
Payable tax in the balance sheet	5,683	24,092

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

NOK thousand	2019	2018
Tax increasing temporary differences		
Fixed assets	-34	-70
Pension assets	56	70
Financial assets	-33	3,253
Security reserve	51,305	57,718
Total tax increasing temporary differences	51,293	60,971
Tax reducing temporary differences		
Allocations	-688	-750
Total tax reducing temporary differences	-688	-750
Net deferred tax assets/deferred tax before losses carried forward	50,605	60,221
Temporary differences not eligible for deferred tax		
Net basis for deferred tax/tax assets	50,605	60,221
Net deferred tax asset/liability	12,651	15,055

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK thousand	2019	2018
Ordinary pre-tax profit	62,466	85,571
Expected tax on income at nominal rate	-15,616	-21,393
Tax effect of:		
permanent differences	-214	-47
Changes from previous years	409	1,765
Tax charge	-15,422	-19,674
Effective tax rate	24.7 %	23.0 %

Note 18 | Intangible assets

NOK thousand	IT-systemes	
	2019	2018
Acquisition cost 01.01	106,829	78,530
Additions in the period:		
Purchased separately	35,751	28,368
Scrapped		-69
Acquisition cost 31.12	142,579	106,829
Accumulated depreciation & write-downs 01.01	-68,960	-63,407
Writedown		
Amortisation in the period	-7,431	-5,553
Scrapped		
Accumulated depreciation & write-downs 31.12	-76,392	-68,960
Carrying amount 31.12	66,188	37,868

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 February 2021.

Note 19 | Tangible fixed assets

NOK thousand	Equipment	Fixtures & fittings	Total	
			2019	2018
Booked value 01.01			0	84
Depreciation			0	-84
Other changes			0	0
Booked value 31.12	0	0	0	0
Acquisition cost opening balance	627	1,987	2,614	2,614
Acquisition cost closing balance	627	1,987	2,614	2,614
Accumulated depreciation and write-downs opening balance	627	1,987	2,614	2,614
Accumulated depreciation and write-downs closing balance	627	1,987	2,614	2,614

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	27,597				27,597
Bonds and other fixed-income securities			363,976		363,976
Accounts receivable and other short-term receivables	191,436				191,436
Derivatives		657			657
Total financial assets 2019	219,033	657	363,976		583,666
Total financial assets 2018	207,216	4,255	487,850		699,320
Financial liabilities					
Derivatives					
Other current liabilities				44,595	44,595
Total financial liabilities 2019				44,595	44,595
Total financial liabilities 2018				171,631	171,631

Note
21

Accounts receivable and other short-term receivables

NOK thousand	2019	2018
Accounts receivable	174,287	161,172
Pre-paid commissions	420	992
Related parties - receivables from reinsurers	168	
Other current receivables	16,981	17,477
Carrying amount 31.12	191,856	179,641

AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE, ETC 31.12 (GROSS)

NOK thousand	2019	2018
Receivables not fallen due	164,866	152,320
Past not distributed	9,420	8,851
Gross accounts receivable/receivables from reinsurance	174,287	161,172
Net accounts receivable/receivables from reinsurance	174,287	161,172

Note 22 | Bonds and other fixed-income securities

NOK thousand	2019 Fair value	2018 Fair value
Government and government guaranteed bonds		120,670
Corporate bonds		342,024
Asset backed bonds		25,156
Bond fund	363,976	
Total bonds and other fixed-income securities	363,976	487,850
Modified duration	0.50	0.50
Average effective yield	2.12 %	1.59 %

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 interest rate sensitivity. Interest derivatives are included in the calculation of modified duration and average effective interest rate.

Note 23 | 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	liabilities	Net amount
Currency derivatives	154,463	75,100	74,442				657
Total derivatives 2019	154,463	75,100	74,442	0	0	0	657
Total derivatives 2018	78,135	4,255	0	0	0	0	4,255

Note 24 | 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	-100,097	80,000	-20,097	-18,866
Total net position foreign currency 2019				-18,866
Total net position foreign currency 2018				-37,311

Note 25 | Technical insurance reserves

NOK thousand	2019	2018
Gross insurance liabilities		
Booked value 01.01	347,762	324,769
Change in premium and claims reserves	21,298	26,465
Exchange rate changes	-8,403	-3,473
Booked value 31.12.	360,657	347,762

ASSETS AND LIABILITIES

NOK thousand	2019	2018
Receivables concerning insurance contracts	174,287	161,172
Total assets	174,287	161,172
Premium reserve	278,802	266,982
Claims reserve	81,855	80,780
- of which IBNS	72,119	71,291
- of which settlement expenses	9,736	9,489
Liabilities concerning insurance contracts	24,213	13,492
Total liabilities	384,870	361,254

Note 26 | Other current liabilities

NOK thousand	2019	2018
Liabilities in connection with direct insurance	24,213	13,492
Allocation to dividends		130,000
Liabilities to related parties		268
Accounts payable	3,513	10,050
Governmental fees and tax withholdings	4,469	4,430
Other current liabilities	605	1,531
Accrued expenses	11,796	11,860
Carrying amount 31.12	44,595	171,631

Note 27 | 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 is 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	31.12.19			31.12.18	
		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	21,736	21,736				2,062
Total solvency capital	176,736					157,062
Total solvency capital available to cover the minimum capital requirement	176,736					157,062

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

NOK thousand	2019	2018
Market	10,865	28,806
Counterparty	12,072	12,179
Health	117,610	111,466
Operational	21,815	20,567
Diversification	-16,007	-26,505
Loss Absorbing tax effect	-36,589	-36,628
Total solvency requirement	109,767	109,885
Solvencymargin	161.0 %	142.9 %
Minimum capital requirement	42,778	40,393
Minimum margin	413.1 %	388.8 %

DIFFERENCE PROVISIONS STATUTORY ACCOUNTS AND SOLVENCY II BALANCE

NOK thousand	2019	2018
Technical provisions statutory accounts	360,657	347,762
Future premium payments	-168,832	-156,254
Risk margin	8,123	7,733
Expected margin in future premiums	-19,099	-25,136
Discounting	-6,523	-8,463
Technical provisions solvency II value	174,326	165,642

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 28 | Number of employees

	2019	2018
Number of employees at 31.12.	25	30
Average number of employees	27	31
Fulltime equivalent positions at 31.12.	25	30
Average number of fulltime equivalents	27	31

Note 29 | Information about close associates

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	2019					2018				
	Purchase of services ¹⁾	Commission costs	Net reinsurance cost	Receivables	Liabilities	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities
Munich Re			274					1,157		268
Munich Health Holding AG										67,050
Storebrand ASA	78					125				67,050
Storebrand Asset Management ASA	156					498				42
Storebrand & SPP Business Services NUF	2,461				855	2,708				530
Storebrand Livsforsikring AS	14,137	14,750		1,923		13,004	13,800		1,948	3,398
SPP Pension & Försäkring AB		1,560					1,517			
Storebrand Forsikring AS	459			1,947		1,295			1,681	
Storebrand Pensjonstjenester AS										
SPP Pension & Försäkring NUF									49	
Total	17,291	16,310	274	3,869	855	17,631	15,317	1,157	3,678	138,338

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.

IBNR reserves (Incurred but not reported)

Provision for claims for insured risks which have occurred but have not been reported to the insurance company.

RBNS reserves (Reported but not settled)

Provisions for settlement of claims notified but not yet settled.

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 2019, the statement of comprehensive income, 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 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 2019, 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 fair presentation 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 fair presentation.

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 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, 30 January 2020
PricewaterhouseCoopers AS

Magne Sem
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

