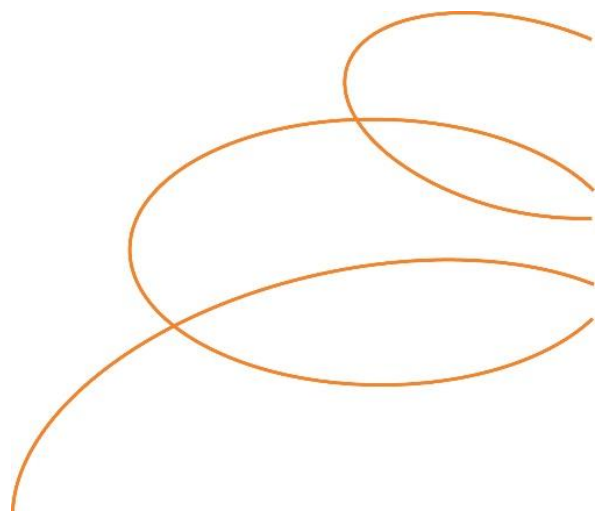




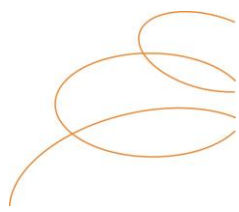
**SOLVENCY AND FINANCIAL CONDITION
REPORT 2020**
PROTECTOR FORSIKRING ASA



This document is prepared in accordance with the requirements of the Norwegian Supervisory Authority for SFCR reporting in line with Commission Delegated Regulation 2015/35. *This is an office translation; the Norwegian version of the document precedes in case of deviations.*

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Summary

Protector Forsikring ASA had growth of 19% in 2019. Combined ratio for own account was 103,8%. The company's SCR-ratio calculated using standard formula was 168% per 31.12.2019. Eligible solvency capital was TNOK 2 910 788, at the same level as 2018 due to a weak result. Solvency capital requirement was TNOK 1 733 288 per 31.12.2019 compared to TNOK 1 659 364 in 2018. Increase in solvency capital requirement was driven due to the company's growth combined with weak profitability.

Multiple profitability measures were implemented in 2019 and will continue into 2020. Improvement in the company's technical result is expected in 2020.

Protector Forsikring works continuously with risk management systems in the company and this has been a focus area in 2019. Established processes and reporting systems ensure that Protector's risk management system is adequately organized and that the company's risk profile is followed up on a regular basis.

A. Business and Performance

A.1 Business

Protector Forsikring ASA, org. nr. 985279721, business address Støperigata 2, 0250 Oslo, Norge, is a general insurance company organized as a public limited liability company and listed on the Oslo Stock Exchange. The company operates in Norway, Sweden, Denmark, the UK and Finland.

This report is presented in TNOK, which is the company's reporting currency unless otherwise stated.

Name and contacts of the company's public supervisory authority

Name: The Norwegian Supervisory Authority

Business address: Revierstredet 3, 0151 Oslo, Norway

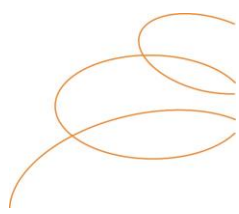
Phone: 22 93 98 00

Company's external auditor per 31.12.2019

Name: Ernst & Young AS

Business address: Dronning Eufemias street 9, 0191 Oslo, Norway

Phone: 91 66 90 00



A.2 Underwriting performance

The company's operating result per geographic segment is provided in Table 1. Protector has decided in 2018 to exit the change of ownership insurance (COI) market, and COI is defined as discontinued business in the company's financial statements. COI had some premium income in 2019 due to continued agreements with some of the real estate brokers. Table 1 shows results overview exclusive of COI.

The company's top line increased 19% in 2019 compared to 2018. Growth is driven by the UK (8,1% percentage points) and Sweden (4,6% percentage points). Gross combined ratio was 102,8% in 2019 compared to 101,7% in 2018. Combined ratio for own account was 103,8% (98,6% in 2018) driven by poor profitability in Norway and Finland, high than normal large claims rate and run-off loss. Run-off loss was 1,2% in 2019 compared to run-off gain of 2,1% in 2018.

The company has implemented strong profitability measures in 2019 and into 2020. Our prices in the Nordics increased 10,5% in 2019 and price increases in January 2020, a significant renewal month, was 13,4%. Improvement in technical result is expected in 2020. For more information about the company's results and development in 2019, please see Protector's annual report for 2019 which is available at the company's home page www.protectorforsikring.no.

Table 1 Geographic distribution of the company's 2019-2018 results

[1.000 NOK]	Norway		Sweden		Denmark		UK		Finland	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Gross premiums written	1 540 492	1 508 681	1 549 545	1 350 348	937 058	792 533	852 688	504 603	220 675	129 885
Gross premiums earned	1 583 931	1 520 819	1 491 939	1 277 010	921 528	784 951	744 386	380 440	253 970	176 393
Gross claims incurred	(1 591 525)	(1 583 169)	(1 343 331)	(1 124 431)	(885 105)	(713 724)	(543 892)	(254 067)	(360 069)	(183 932)
Earned premiums, net of reinsurance	1 367 102	1 161 805	1 264 815	820 314	786 018	513 034	504 947	184 656	224 631	138 027
Other insurance-related income	4 153	21 269	664	971	1 733	1 433	2 275	990	1 685	879
Claims incurred, net of reinsurance	(1 356 585)	(1 085 827)	(1 058 088)	(722 606)	(776 548)	(512 778)	(436 362)	(189 150)	(321 515)	(147 967)
Sales cost	(37 645)	(45 711)	(127 649)	(105 078)	(16 721)	(13 422)	(47 504)	(39 316)	(3 990)	(2 099)
Administration cost	(45 801)	(35 741)	(42 861)	(38 219)	(42 466)	(31 633)	(39 239)	(25 095)	(9 548)	(12 440)
Commission from reinsurance	546	46 421	31 348	83 265	12 893	56 297	22 690	40 164	(10 288)	3 013
Other insurance-related expenses	(7 126)	(4 161)	(2 962)	(13 895)	(2 081)	462	(2 011)	(2 393)	(1 537)	(214)
Technical result	(75 357)	58 055	65 266	24 753	(37 173)	13 393	4 797	(30 143)	(120 562)	(20 800)
Other income/cost	(50 067)	(49 060)	(98)	(175)	2	(78)	11	0	(194)	(49)
Net financial income	84 851	(50 492)	39 960	29 026	2 222	(2 399)	3 689	1 155	10 718	2 908
Profit before tax	(40 573)	(41 497)	105 128	53 604	(34 949)	10 916	8 497	(28 988)	(110 038)	(17 942)
Claims ratio, net of ceded business	99,2 %	93,5 %	83,7 %	88,1 %	98,8 %	100,0 %	86,4 %	102,4 %	143,1 %	107,2 %
Expense ratio, net of ceded business	6,1 %	3,0 %	11,0 %	7,3 %	5,9 %	-2,2 %	12,7 %	13,1 %	10,6 %	8,4 %
Combined ratio, net of ceded business	105,3 %	96,5 %	94,7 %	95,4 %	104,7 %	97,8 %	99,1 %	115,6 %	153,7 %	115,6 %
Gross claims ratio	100,5 %	104,1 %	90,0 %	88,1 %	96,0 %	90,9 %	73,1 %	66,8 %	141,8 %	104,3 %
Gross expense ratio	5,3 %	5,4 %	11,4 %	11,2 %	6,4 %	5,7 %	11,7 %	16,9 %	5,3 %	8,2 %
Gross combined ratio	105,7 %	109,5 %	101,5 %	99,3 %	102,5 %	96,7 %	84,7 %	83,7 %	147,1 %	112,5 %

The company's underwriting results in 2019 and 2018 are presented in Table 2 and Table 3 below.

Table 2 The company's 2019 results per line of business

	General insurance										Life insurance	Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Group life		
Premium income¹												
Premiums written	192 697	238 156	637 642	685 044	1 058 256	15 029	1 572 394	390 369	1 569	309 302	5 100 457	
Premiums written ceded	-20 252	-28 098	-69 278	-113 847	-103 460	-1 528	-224 955	-64 145	-148	-32 408	-658 118	
Premiums written for own account	172 445	210 058	568 364	571 197	954 797	13 502	1 347 439	326 224	1 421	276 894	4 442 339	
Premium earned												
Gross premiums earned	188 301	235 754	681 261	632 076	1 034 599	15 278	1 509 935	376 311	1 477	320 760	4 995 754	
Reinsurers' share of gross premiums earned	-20 252	-27 805	-69 278	-113 847	-103 460	-1 528	-414 597	-64 918	-148	-32 408	-848 241	
Premiums earned for own account	168 050	207 949	611 983	518 229	931 139	13 751	1 095 338	311 393	1 329	288 352	4 147 513	
Gross claims incurred												
Occurred this year	180 107	226 806	683 207	652 077	803 316	13 110	1 368 989	328 110	1 640	297 336	4 554 699	
Occurred previous years	-36 665	64 103	40 511	-20 857	-17 893	511	137 676	2 305	-277	-191	169 223	
Total for the accounting year	143 442	290 909	723 718	631 220	785 423	13 621	1 506 664	330 415	1 363	297 146	4 723 921	
Claims incurred for own account												
Gross claims	143 442	290 909	723 718	631 220	785 423	13 621	1 506 664	330 415	1 363	297 146	4 723 921	
Reinsurers' share of gross claims	-13 915	-37 849	-72 291	-67 232	-78 519	-1 362	-432 705	-42 016	-136	-28 798	-774 823	
Total claims for own account	129 528	253 059	651 427	563 988	706 903	12 259	1 073 960	288 400	1 227	268 348	3 949 099	

¹ Premiums comprise insurance premiums in Norway, Sweden, Denmark, Finland and the UK. Gross written premiums in Norway constitute NOK 1,540,5 million (30,2%), in Sweden NOK 1,549,5 million (30,4%), in Denmark NOK 937,1 million (18,4%), in the UK 852,7 million (16,7%) and in Finland NOK 220,7 million (4,3%)

Table 3 The company's 2018 results per line of business

	General insurance										Life insurance	Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Group life		
Premium income¹												
Premiums written	175 967	223 349	602 960	458 126	834 733	12 114	1 331 066	330 866	1 455	315 442	4 286 080	
Premiums written ceded	-21 905	-25 059	-64 827	-88 505	-70 301	-1 133	-1 067 994	-54 674	-145	-32 157	-1 426 701	
Premiums written for own account	154 062	198 290	538 133	369 621	764 432	10 981	263 072	276 192	1 310	283 286	2 859 379	
Premium earned												
Gross premiums earned	177 991	219 230	653 264	406 916	808 905	11 330	1 251 514	296 542	1 453	312 468	4 139 612	
Reinsurers' share of gross premiums earned	-21 496	-31 078	-64 827	-88 505	-70 301	-1 133	-958 888	-53 246	-145	-32 157	-1 321 776	
Premiums earned for own account	156 496	188 152	588 437	318 411	738 603	10 197	292 626	243 296	1 308	280 311	2 817 836	
Gross claims incurred												
Occurred this year	173 667	214 906	655 913	476 069	637 111	6 343	1 315 452	235 722	1 603	328 928	4 045 714	
Occurred previous years	-6 651	-28 561	-51 880	-64 541	21 148	278	-113 579	24 464	-28	32 957	-186 392	
Total for the accounting year	167 017	186 345	604 033	411 528	658 260	6 621	1 201 873	260 186	1 575	361 885	3 859 322	
Claims incurred for own account												
Gross claims	167 017	186 345	604 033	411 528	658 260	6 621	1 201 873	260 186	1 575	361 885	3 859 322	
Reinsurers' share of gross claims	-16 437	-15 210	-59 792	-44 496	-64 612	-667	-929 465	-31 797	-158	-38 360	-1 200 996	
Total claims for own account	150 579	171 134	544 241	367 032	593 648	5 955	272 408	228 388	1 417	323 526	2 658 327	

¹ Premiums comprise insurance premiums in Norway, Sweden, Denmark, Finland and the UK. Gross written premiums in Norway constitute NOK 1,508,7 million (35,2%), in Sweden NOK 1,350,3 million (31,5%), in Denmark NOK 792,5 million (18,5%), in the UK 504,6 million (11,8%) and in Finland NOK 129,9 million (3,0%)

A.3 Investment performance

The company's net investment results per asset class is presented in Table 4.

Table 4 Investment result 2019-2018 per asset class

Investment portfolio	FY 2019	FY 2018
Avg. investment portfolio	10 814 411	10 182 677
Equities	1 146 836	1 473 939
Bonds	9 667 575	8 708 811
Share equities	11 %	14 %
Share bonds	89 %	86 %
Result equities	-3,9%	-12,0%
Result bonds	2,1%	1,4%
Return equities	-44 533	-176 995
Return bonds	201 709	120 771
Investment result, net	157 176	-56 224
Return, net	1,5%	-0,6%

Average share invested in equities was 11% in 2019 compared to 14% in 2018. Protector's investments in equities comprised mainly investments in companies listed on stock exchange in Sweden, Norway and Finland. Net return on equity investment was -3,9% in 2019. Return on equities excluding put options was -1,0%. Equities return was affected by weak underlying development in the investment companies. Return on the total bond portfolio was 2,1% in 2019. Bond result in 2019 was positively affected by generally tightening credit spreads in the Nordics and low losses in the portfolio. Increase in short nibar rates throughout the year contributed positively as well. Total risk in the bond portfolio is valued at A+ at the end of 2019. Total investment result was 1,5% in 2019 compared to -0,6% in 2018.

The company's investment portfolio is accounted for at fair value through profit and loss, and the company had no investment gains or losses which were accounted for directly in shareholder capital.

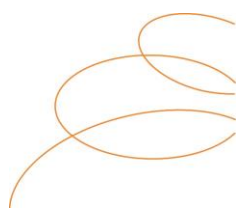
A.4 Performance of other activities

The company had no significant income or expenses from other activities.

A.5 Any other information

The company has no contingent liabilities per 31.12.2019. There was a disagreement with one of the company's reinsurers regarding interpretation of the reinsurance contract. The case was ruled in 2019 in Protector's disfavour. Protector has concluded settlement following the arbitration.

The COVID-19 situation has to this point had limited effect on the company's insurance business. Products in our portfolio that may be adversely affected by COVID-19 is limited. The situation may lead to some increased pay-outs within products like other illness and business interruption, but at the same time reduced economic activity has led to stronger profitability expectations on other products. For more information about Covid-19, please refer to the company's Q1 2020 investor presentation, available at the company's home page www.protectorforsikring.no.

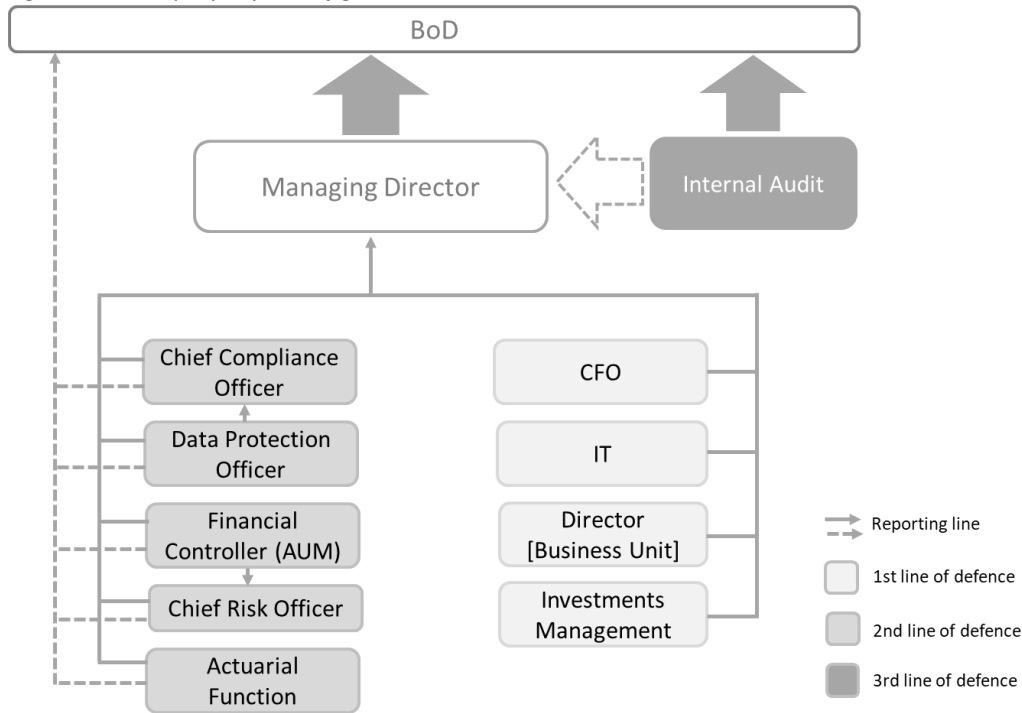


B. System of Governance

B.1 General information on the system of governance

The company's overall system of governance is presented in Figure 1.

Figure 1 The company's system of governance



The figure presents an overview of key functions and reporting lines in the company. All risk management and compliance functions report directly to the managing director with an exception of internal audit which reports directly to the Board of Directors. Chief Compliance Officer, Chief Risk Officer and actuarial function has right and duty to report directly to the Board of Directors in special cases. Second line functions are administratively organized under CFO. The company's Data Protection Officer reports to Chief Compliance Officer and has right and duty to report to the Board of Directors directly in special cases. Financial Controller reports to the managing director and the Board of Directors.

The Board of Directors has the ultimate responsibility for Protector Forsikring having established appropriate and effective processes for risk management and internal control. The Board of Directors shall ensure that these processes are adequately established, implemented and followed up.

Through establishment of the company's goals, strategies and risk appetite the Board of Directors define framework for types and extent of risks the company can be exposed to. The Board of Directors shall at least annually ensure that significant risks are continually identified, assessed, and managed in a systematic way, and that the risks are acceptable and within defined framework. The above is ensured through internal control and ORSA processes. The company's Board of Directors has Audit and Risk sub-committees. These sub-committees support the Board of Directors in execution of its responsibilities for the company's total risk management and control.

Managing director ensures that risk management and internal control in Protector Forsikring is carried out, documented, monitored and followed up in a satisfactory way. The managing director defines for this purpose descriptions and guidelines for how the company's risk management and internal control shall be implemented in practice as well as establishes adequate control functions and processes.

The managing director follows up continuously changes in the company's risk exposure and informs the Board of Directors about significant changes. The managing director ensures that the company's risks are secured or in compliance with the Board of Directors' guidelines, and ensures that leaders for all the significant business areas follow up implementation of internal control.

All leaders are responsible for that risk management and internal control within own area of responsibility is sufficient. This entails:

- having overview of all significant risks within own area of responsibility at all times,
- following up implementation of and compliance with corresponding control measures,
- adjusting general requirement for risk management and control to type, extent and complexity within own area, hereunder assessing need for more detailed instructions or guidelines.

Leaders shall be able to substantiate that adequate control of risks is established and functions. Leaders for significant business areas carry out and document an annual risk assessment according to the company's requirements as well as follow up earlier control measures.

Risk management function in the company is responsible for monitoring the company's risk management system and for having an overview of the risks the company is or can be exposed to. Chief Risk Officer ensures that the company's management and the Board of Directors are adequately informed about the company's risk profile at all times and that it is within the company's risk appetite. Risk management function is responsible for the managing director and the Board of Directors receiving relevant and timely information about implementation of the company's risk management. Risk management function shall ensure that in case of significant changes or establishment of new products and significant routines risk assessment is carried out before activities are started. Risk management function facilitates the annual ORSA process.

Information about compliance, internal audit and actuarial functions is provided in chapters B.4 Internal control system, B.5 Internal audit function and B.6 Actuarial function.

Figure 2 in next page describes interaction between the key Solvency II functions.

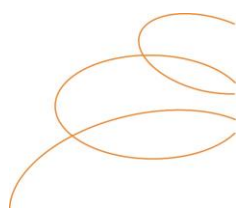
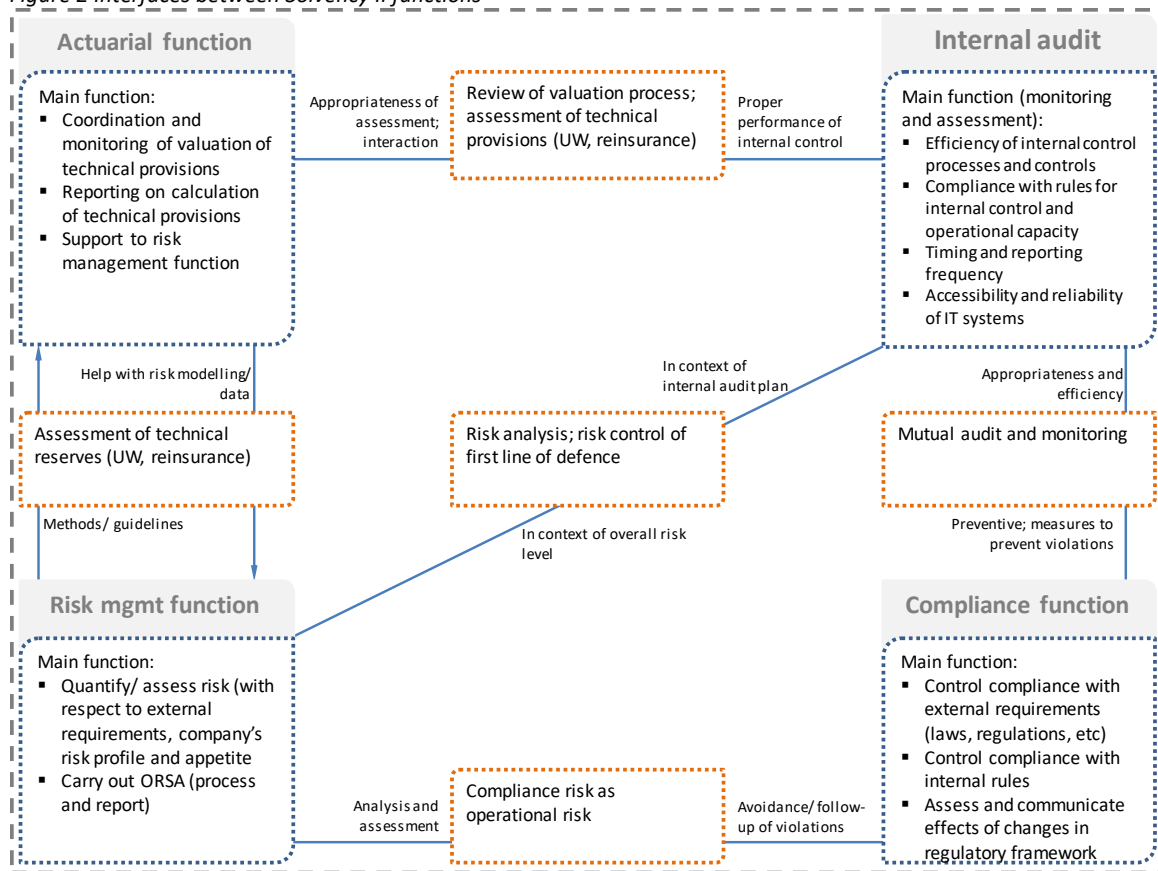


Figure 2 Interfaces between Solvency II functions



Protector Forsikring works continuously with risk management systems in the company and this area has continued to be in focus in 2019.

Remuneration. The company's Board of Directors prepares a separate statement about determination of salary and other remuneration for senior managers, ref. Public Limited Companies Act § 6-16a. An advisory voting is held in general meeting on the Board of Directors guidelines for senior executives' salary determination for the upcoming fiscal year, ref. Limited Companies Act § 5-6 (3) and as long as the guidelines are linked to the share-based initiatives, these are also approved by the general meeting. The Board of Directors has since 2010 had a separate Compensation Committee which consists of three members: the chairman of the Board of Directors and two Board members. The Compensation Committee prepares cases for the Board of Directors and puts forward cases related to remuneration to senior executives and cases related to significant personnel-related cases in the company.

The purpose of Protector's salary policy is to attract employees with the necessary competence, further develop and maintain the key competence and motivate for long-term and continued progress in order to achieve Protector's business goals. Protector's policy shall, first and foremost, be directed towards proposition of a total remuneration which is competitive so that the company can attract and maintain the best senior executives.

Salary to the managing director and other economic benefits are established by the Board of Directors based on the proposition from the compensation committee. Terms and approval for other senior executives are established by the managing director within the framework approved by the Board of Directors.

The total remuneration to senior executives consists of fixed salary, variable salary, pension, and other benefits.

The fixed salary is reviewed annually and determined based on salary development in the society in general and financial sector in particular.

The total remuneration to senior executives shall be competitive and reflect work efforts, responsibilities and professional challenges that are related to the leadership responsibilities in a company of the size of Protector and the branch.

The variable salary (bonus) to senior executives can be paid based on a concrete result measurement of the defined goal areas derived from the company's strategy and goals. The review takes into account a combination of the company's total targeted result, relevant business unit as well as estimation of a personal contribution, thereof a total valuation with regards to the compliance with the company's vision, values and leadership principles. Variable salary for senior executives is set by the Board of Directors on the basis of levels set by the compensation committee.

The company in 2013 established a long-term bonus policy for the senior executives and other key personnel. See note 21 in the company's annual report for 2019 for a detailed description of calculation and pay-out method for the long-term bonus scheme.

Any fringe benefits shall have connection with one's functions in the company and shall be in line with general practices in the market.

Pension age for the managing director is 62 years and 67 years for other senior manages in Norway. Senior executives' pension age is 65 years in Sweden, the UK and Finland, and 70 years in Denmark. In Norway the senior executives are participants in the company's defined contribution pension plan. The managing director has in addition an agreement about top pension which totals maximum 8,4G. Senior executives in Sweden and Denmark have defined contribution pension arrangement which is a standard for the branch.

The managing director has an agreement for 6-month termination notice and up to 12-month salary after termination of employment relationship. Other senior executives have an agreement for 6-12 months termination notice and some have an agreement for up to 12-month salary after termination of employment relationship.

The Board of Directors has approved establishment of a long-term bonus policy for key personnel in investments department. See note 21 in the company's annual report for 2019 for a detailed description of calculation and pay-out method for the long-term bonus scheme for key personnel in investments department.

The Board of Directors has approved establishment of share purchase program for all employees in Protector Forsikring ASA including the managing director and senior executive managers. All permanent employees are given an opportunity to buy shares for a defined annual amount. Shares are bought once a year after General Meeting is held. The company provides an interest-free loan for the invested amount which is paid back during 12 months through deductions from salary. Employees receive a 20% discount on the purchase of shares, limited up to maximum tax-free discount. After two years the employee will receive one bonus share for each fifth share owned provided that the employee is still employed in the company.

Information about remuneration for 2019 as well as overview of transactions between members of administrative, managing or control bodies is provided in note 21 in Protector Forsikring's annual report for 2019.

B.2 Fit and proper requirements

The company has established "Policy for fit and proper assessment in Protector Forsikring ASA" in order to ensure that key personnel, including members of administration, the Board of Directors and senior management have adequate qualifications, knowledge and relevant experience for managing the company in a prudent way.

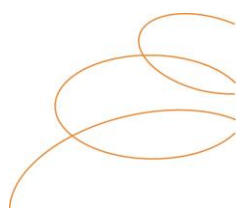
Fitness is assessed based on relevant professional qualifications in addition to a sound reputation and other relevant information about conduct in order to ensure that the position will be fulfilled in a prudent manner. Professional and formal qualifications, knowledge and relevant experience within insurance, other finance, law or other business is the basis for assessment of competence. Assessment includes, when relevant, skill within economy, accounting, insurance mathematics as well as managerial skills.

Education and personal traits as well as competence and experience requirements for key functions are specified in relevant position descriptions as well as guidelines for the functions. During recruitment process potential candidates are assessed against requirements for competence and experience before decision is taken. In cases of new information indicating need for renewed assessment, changes in regulatory framework, new requirements for corporate governance, changes in key functions or changes in the composition of the Board of Directors, Protector Forsikring will carry out new fit and proper assessments. Every second year the company will review need for new fit and proper assessment even if persons are the same.

Fit and proper assessment of relevant leading and key persons is carried out according to the Financial Supervisory Authority's regulatory framework.

B.3 Risk management system including the own risk and solvency assessment

Protector Forsikring has prepared risk management policy which is the main tool for fulfilling own and society's requirements for good risk management. The policy is prepared in accordance with

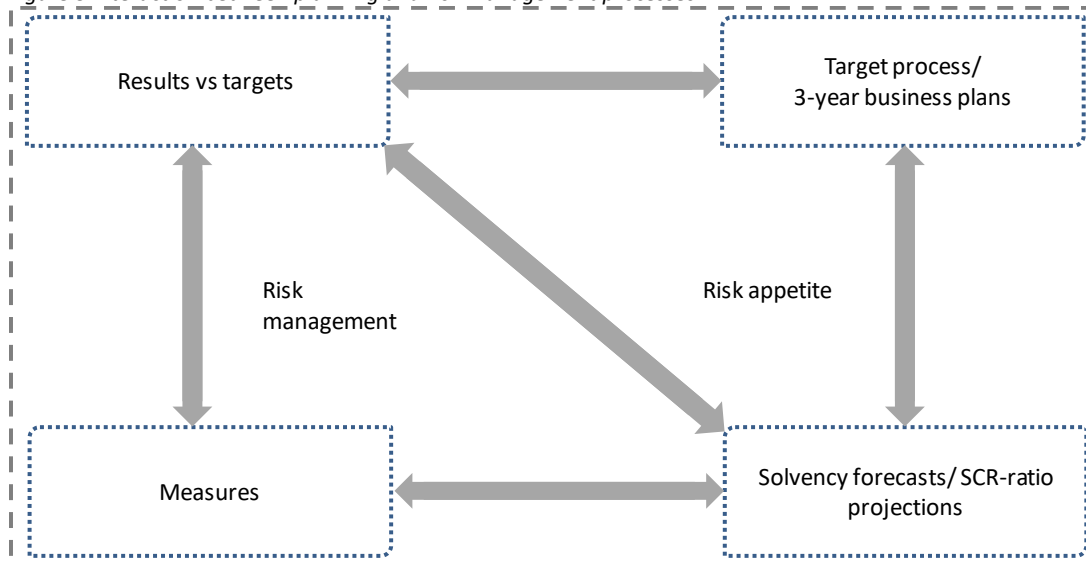


current regulatory framework for insurance companies and financial institutions and Solvency II requirements.

The company's risk appetite which is set by the Board of Directors forms the basis for risk monitoring and management in the company. The Board of Directors approves framework for market, insurance, operational and compliance, business as well as counterparty risks. Risk appetite defines either lower or upper limit as well as ranges, or any other definition of risk exposure which is accepted by the Board of Directors in order to achieve the company's strategic goals.

Figure 3 provides an overview of interaction between planning and risk management processes in the company.

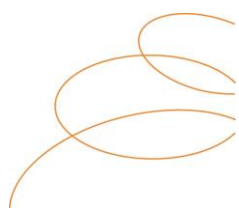
Figure 3 Interaction between planning and risk management processes



Separate policies and/ or strategy documents are established for different types of risks. These documents are part of the total corporate governance in the company.

In order to ensure that the company's corporate governance system is organized in an adequate way and that the company's risk profile is within the approved limits, Protector Forsikring has established various processes and reporting systems.

Quarterly risk reports summarizing exposure to main risk with respect to the defined limits are prepared on a quarterly basis. The Board of Directors, together with the management, carries out the company's strategy process at least annually. Based on the strategy process the company prepares different scenarios which forecast probable development of result and capital as well as risk exposure. The company estimates the necessary shareholders capital to cover risk exposure as well as its capacity to fulfil its obligations related to insurance contracts based on this view of risks. The company also assess how well standard formula reflects the company's risk profile and how capital requirement calculated using standard model compares with the company's own assessment of



capital requirement. At least annually Protector Forsikring prepares ORSA report in accordance with the company's ORSA policy which is reviewed by the Board of Directors.

B.4 Internal control system

Protector Forsikring has prepared policy and guidelines for operational and compliance risk. Responsibility of compliance function is to contribute to low compliance risk in Protector Forsikring. This is ensured through seeing to that managers and employees have adequate insight into and understanding of compliance risk as well as through identification, assessment, monitoring, reporting about and advising on management of compliance risk in different business areas. Compliance function ensures that all business areas at least annually carries out a systematic assessment of if risk management and internal control are adequate for management of identified risks in an appropriate way. Compliance contributes to compliance with laws and rules and informs management about all factors that have or may have significant importance for compliance with laws and rules without encouragement.

Compliance function is the company's whistle-blowing institution and is responsible for investigating any irregularities or fraud.

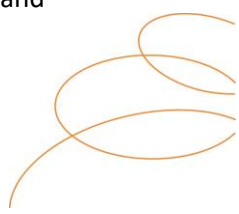
All business areas have appointed compliance-responsible who assist compliance function in its work.

The company's Data Protection Officer ensures compliance with General Data Protection Act.

In accordance with policy and guidelines for operational and compliance risk internal control in the company is carried out according to the annual plan for internal control. The company's internal control is based on identifying operational events which can prevent achievement of goals and these are placed into risk groups based on probable frequency and consequence. Internal control system implies that a complete revision of each business area and administrative units is carried out annually. Timing of completion is coordinated with the audit of the company by the external auditor and occurs in autumn. It is the responsible for each business area who presents the results of the current year's analysis in a form of an updated risk matrix and a verification to the managing director. This verification shall also include an assessment of the last year's planned measures with respect to implementation and realized effect. This process is initiated, managed and coordinated by the company's Chief Compliance Officer who also provides the necessary information to the managing director's verification of the internal control to the Board of Directors as a part of area of responsibility described in the job description for the company's chief compliance officer.

B.5 Internal audit function

Internal audit is an independent, objective function for verification and advising and carries out only internal audit in the company. The internal audit conducts its activities independently and objectively in accordance with acknowledged standards for internal audit. Work of the internal audit is based on a Board-approved, risk-based annual plan which takes into account type, extent and complexity of business activities as well as established internal control. Changes in the company's risk situation and



development in demanding business initiatives may lead to need for revision of the internal audit's annual plan. At least once a year the internal audit function reports to the Board of Directors and the managing director about the company's risk management and control.

B.6 Actuarial function

Actuarial function is carried out in accordance with the Article 272 through continuous dialog with the company's actuary in order to discuss data quality, development of premiums and claims in various lines of business and insurance markets that the company is exposed to. The actuarial function gives feedback to control activities in order to ensure that the underlying data for estimating technical provisions is complete, accurate and appropriate. The actuarial function contributes also with control activities which ensure that the underlying data used for calculation of the technical provisions is satisfactory, and that estimated technical provisions correspond to the amounts in the financial accounts. The actuarial function contributes as discussions partner to the choice of models and assumptions underlying estimation of the technical provisions within various lines of business and insurance markets that the company is exposed to. In connection to the quarterly estimation of the technical provisions underlying data and results are exchanged between the company's actuary and the actuarial function. The actuarial function gives feedback on results of the calculations carried out by the company's actuary and, in cases where assessment deviates, assumptions and choice of models are discussed, and final results are based on assumptions and model choices that both the company's actuary and the actuarial function find appropriate. The actuarial function ensures that the technical provisions are sufficient. Quarterly reports describing underlying data, assumptions and results of calculation of the technical provisions are prepared by the actuarial function. The report includes process and results assessment by both the company's actuary and the actuarial function. The actuarial function prepares a more extensive report in connection with annual reporting which shall cover all areas of responsibilities covered by the actuarial function in accordance with Article 272.

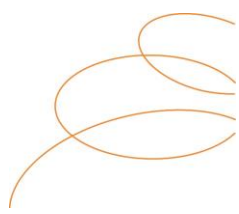
B.7 Outsourcing

Protector Forsikring has prepared policy and guidelines for outsourcing which defines extent, areas of responsibility, monitoring and reporting in case of outsourcing of business activities. It is not allowed to outsource core business. Core business means product development and work related to take over and underwriting of insurance risk.

The company is fully responsible for all part of the outsourced business and shall have competence and resources to assess risk related to the outsourced business activities itself at all times.

Following principles underlie assessment and any implementation of outsourcing in the company:

- Outsourcing shall be prudent, and relevant information for analysis and assessment shall be gathered before final decision.
- Public requirements and external regulations which the company has to satisfy shall be ensured also when outsourcing.
- Outsourcing shall contribute to providing the company with access to cost-efficient and qualitatively good services, products and distribution channels.

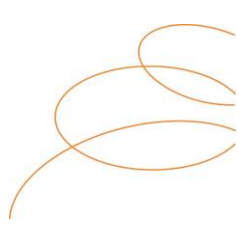


- Outsourcing shall occur in a way that gives the company flexibility with respect to changes in its outsourcing strategy.

The company has outsourced the internal audit to KPMG and the actuarial function to Zabler-Neuhaus AS.

B.8 Any other information

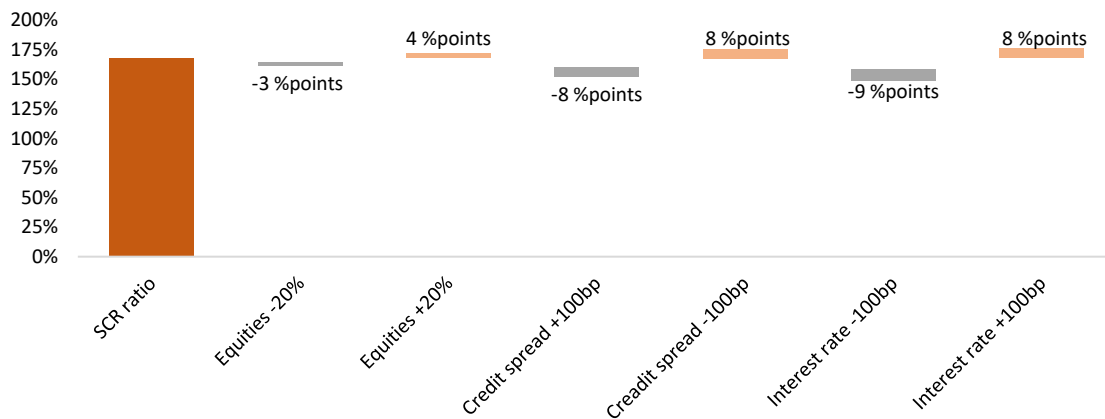
Protector Forsikring's assessment is that the company's risk management and internal control system is appropriate with respect to types, extent and complexity of the risks related to the company's business.



C. Risk Profile

Protector Forsikring is exposed to insurance, market, credit and counterparty, liquidity and operational risks (see chapter E.2 Solvency Capital Requirement and Minimum Capital Requirement for relevant risks). These risks are monitored continuously. Table below shows SCR ratio sensitivities to changes in the market value of investments in equities, credit spread and interest rate levels.

Figure 4 SCR ratio sensitivities per 31.12.2019



The company carries out stress test analysis as a part of ORSA process. Choice of factors for stress test scenarios is risk-based with the company's 3-year business plans and focus areas as a starting point. Scenarios are compared to estimated capital requirement and estimated available capital based on a set of basic assumptions which correspond to the company's 3-year business plans. Methods used for stress testing are based on an assumption that it is only the defined assumptions that are stressed in concrete scenarios which are changed while all other assumptions remain constant. Total results are summarized and processed by the Board of Directors at least once a year in connection with submission of ORSA report.

C.1 Underwriting risk

Underwriting risk represents the risk directly related to the insurance business. This includes the risk that premium payments will not sufficiently cover future claims and related costs, and the risk that reserves will not be sufficient to cover costs related to claims already incurred. Additionally, it includes the risk of extraordinary events like catastrophe scenarios and lapse risk.

The company assesses underwriting risk individually through underwriting process before an agreement with a customer is concluded. Continuous follow-up of development in profitability is carried out, including calculation and assessment of technical provisions.

Assessment of catastrophe risk is an important part of the company's risk management. The company's exposure to large risks is assessed against current reinsurance program in order to ensure that exposure to catastrophe risk is within defined framework.

Lapse risk is assessed not to be a significant risk for the company as the company underwrites insurance of business and public customers. The agreements are normally termed contracts, running until maturity unless extraordinary circumstances arise giving right to terminate contracts prematurely.

All business areas are reviewed on a regular basis according to internal reporting routines. Profitability within different lines of business and segments is assessed, and measures are implemented if certain lines of business/ segments are assessed not to contribute with adequate expected future profitability.

Courses and training in claims-reducing measures are carried out by the company's initiative. The company uses reinsurance largely to reduce risk. Reinsurance is used primarily within liens of business which are estimated to be most exposed to large claims. There are reinsurance agreements in place for all lines of business, limiting loss potential for catastrophic scenarios. Assessment of adequacy of the company's reinsurance programs is carried out at least annually.

The company is exposed to natural catastrophe events in Norway proportional to the company's market share of fire insurance amounts. The company's geographical concentration of exposure in Norway has therefore little significance for the company's natural catastrophe risk. The company participates in the reinsurance program of the Norwegian Natural Perils Pool.

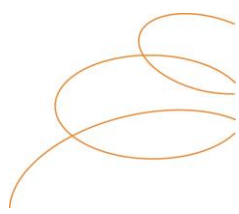
The company also ensures that assets are sufficient to cover liabilities in all exposed currencies at all times. It is not desirable to expose insurance liabilities to unnecessary currency risk, therefore investments portfolio is calibrated on a quarterly basis so that assets correspond to liabilities within foreign currencies.

Solvency capital requirement for insurance risk was TNOK 2 359 668 per 31.12.2019 whereof capital requirement for health underwriting risk was TNOK 1 109 698 and for non-life underwriting risk was TNOK 1 249 970. Underwriting risk is distributed between premium and reserves risk as well as catastrophe and lapse risk.

C.2 Market risk

Protector Forsikring is exposed to market risk: risk of loss in the market value of investment portfolio as a result of fluctuations in share prices, interests, credit spreads, exchange rates, property prices, prices of commodities and energy, and changes in technical provisions as a result of change in interest rates.

Protector Forsikring manages its investment according to "prudent person's" principles and within the quantitative framework defined in the investment management mandate approved by the Board of Directors. Requirements are defined among other things for exposure limits in the portfolio per assets class, individual issuers and rating. Investments portfolio is managed with respect to currency mix, and foreign exchange forwards are used for adjustment of currency mismatch between commitments and investment assets if needed.



Individual investments are analysed and assessed using defined criteria before investment decision is taken. Development in the market value and compliance with the quantitative requirements defined in the investments management mandate are monitored and reported on a regular basis. Capital requirement for market risk is calculated quarterly or in case of significant changes in risk profile.

Protector Forsikring uses put options in equities portfolio for further management of market risk related to the investments portfolio.

At the end of 2019 net investment portfolio totalled NOK 10,9 billion compared to NOK 9,5 billion a year ago. Entire portfolio was managed in-house. At the end of 2019 equity share of investments was 10,1% while interest-bearing securities and bank deposits constituted 89,9%. Total credit risk of the portfolio was A+ at the end of 2019.

Protector Forsikring's exposure to market risk comprised mainly exposure to equities, spread, concentration and currency risks per 31.12.2019. Total capital requirement for market risk was TNOK 539 067.

C.3 Credit risk

Credit risk is the risk of a rated counterparty defaulting on its commitments. Counterparty risk module covers exposure that is not covered in the spread risk module within market risk.

Protector Forsikring is exposed to counterparty risk mainly in connection to its reinsurance programs and bank deposits. The company has a minimum rating requirement for its reinsurers and bank in order to reduce risk related to counterparty risk. The company works with reinsurers which have a solid rating from internationally acknowledged rating agencies. Before contracts are concluded Protector Forsikring assesses business partners on an individual basis. Protector Forsikring's bank has a solid rating from various acknowledged rating agencies. Bank rating is monitored on a regular basis. Summary of risk assessment in relation to the company's defined limits is reported on a regular basis.

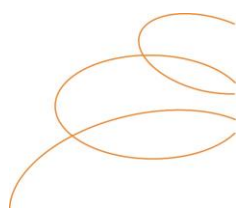
Capital requirement for counterparty risk was TNOK 61 750 per 31.12.2019.

C.4 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its running commitments and/or to finance changes in the allocation of assets without incurring substantial additional costs in the form of a price decrease of assets that need to be realized (sold) or in form of an extra expensive financing.

Protector Forsikring has routines for management of daily cash flows in order to manage and optimize liquidity. Liquidity management in a longer run is based on long-term strategic planning with respect to earnings, development of balance composition and solvency projections. The company manages its assets with respect to requirement for security, liquidity and risk diversification.

The company has right to demand larger amounts with short maturity from its reinsurers in case of larger payments. Further the company has allocated a part of its investments in liquid assets with high quality which provides possibility to match larger unplanned pay-outs. In order to manage



liquidity in a longer run Protector Forsikring has prepared a list of management actions to raise additional financing if needed.

Liquidity risk is not quantified in Solvency II calculations of capital requirement.

C.5 Operational risk

Operational risk is the risk of losses as a result of insufficient or failing internal processes or systems, human errors or external events.

All managers in the company have responsibility for identification and management of operational risk in their own area of responsibility. Main risk factors are identified, assessed and reported on a regular basis through established processes and procedures. Internal control report identifying main risks based on probability and consequence at company level is prepared at least annually based on internal control processes. With these processes and procedures as a starting point, risk-reducing measures are implemented if needed and followed up in connection with the established reporting routines. Significant deviations are registered in the deviations management database and are followed up on a regular basis.

Solvency capital requirement calculated under Solvency II rules constituted TNOK 260 584 per 31.12.2019.

C.6 Other material risks

The company has not identified other significant quantifiable risks in 2019.

C.7 Any other information

All significant risks related to the company's business are described above.

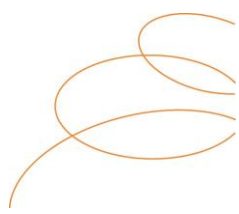
D. Valuation for Solvency Purposes

The company's Solvency II balance is valued at market value, ref Solvency II Directive 2009/138/EC article 75, 1(a) and (b) with respect to requirement for valuation of:

- technical provisions as specified in article 76-81;
- assets and liabilities other than technical provisions as specified in Delegated Regulation 2015/35, article 9-16.

Guarantee scheme for Solvency II reporting purposes is reported according to 19.06.2014 clarification from the Norwegian Financial Supervisory Authority.

The company's assessment is that statutory balance mainly consists of assets and liabilities accounted for at market value with exceptions as described below. Need to change valuation methods and need to take into account any clarifications and/ or feedback from the Norwegian Financial Supervisory Authority is assessed at every reporting.



D.1 Assets

Summary of the company's Solvency II balance compared to statutory balance is provided in Table 5.

Table 5 Overview of the company's assets in Solvency II and statutory balance per 31.12.2019

Assets	Solvency II	Statutory accounts
Intangible assets	0	39 054
Investments	11 042 629	11 044 589
Reinsurers' share of gross technical provisions	2 195 418	2 373 897
Other assets	1 515 114	1 284 665
Total assets	14 753 161	14 742 205

The company's investment portfolio constituted the largest share (75%) of the company's total assets. Investments portfolio in Protector Forsikring's statutory accounts is accounted for at market value based on reports from asset managers. These values are used for Solvency II balance.

Reinsurers' share of the company's technical provisions constituted 15% of total assets. Solvency II value of reinsurers' share of technical provisions deviates from statutory values due to recalculation of these to market value by discounting and with respect to expected profit in future premiums, ref Solvency II Directive, Article 81.

Intangible assets have 0 Solvency II value, ref Delegated Regulation 2015/35, article 2, pct 2.

D.2 Technical provisions

Best estimate of claims provisions are equal to claims provisions for own account at valuation date as follows from «Best Estimate» valuation. In connection to Solvency II valuation of claims provisions, provisions are discounted on the basis of expected line of business-specific run-off pattern and relevant interest rate yield curve for different countries/ currencies where the company has claims provisions. As a starting point regulatory framework allows also for a different valuation of nominal amounts. This has been discussed but assessed that there is a direct relationship between expected values and amounts accounted for in statutory accounts so that no other adjustments of claims provisions than discounting are taken.

It is assumed that statutory claims provisions including unallocated loss adjustment expenses (ULAE) will be adequate for covering liabilities related to claims payments and claims handling costs for claims incurred at calculation date. It is also assumed that interest yield curves are adequate and provide a correct picture of future inflation. The same payments pattern as used for estimation of claims provisions is used for discounting.

Uncertainty related to claims provisions comprises mainly assumptions about future run-off patterns. The same line of business-specific run-off patterns are used both for valuation in statutory accounts and for discounting for solvency purposes. For individual lines of business the company has no sufficiently long run-off history for estimation of future run-off pattern based on own experience

only. This is especially the case for “new” lines of business or lines of business in “new countries” where it is initially assumed future run-off pattern corresponding to experienced run-off pattern in Norway until own data is assessed to be sufficient.

Best estimate of premiums provisions is calculated per Solvency II line of business by using calculation method taking into account future premiums (which include unearned premiums and other future premiums that the company has committed itself to) and expected future claims and costs that are related to these premiums. This results in premiums provisions being significantly lower in Solvency II valuation than statutory valuation where technical premiums provisions are equal to unearned premium.

It is assumed that the company’s estimate of future claims and costs form a realistic view of the future in valuation of premiums provisions.

Uncertainty related to premiums provisions comprises mainly assumptions about expected future profitability (combined ratio) which is estimated per line of business. Even if uncertainty related to estimated combined ratio at company’s level is lower, uncertainty is significant per line of business which may be of essential importance in valuation of premium provisions for solvency purpose.

Risk margin is calculated by calculating future SCR given a hypothetical run-off of the company, for every year until all claims are expected to be fully paid, and capital cost related to having capital requirement for the company in run-off, given a 6% cost of capital.

Uncertainty related to risk margin comprises both assumptions about future run-off patterns and assumptions about future expected profitability, with assumption about future run-off pattern estimated to have the largest significance.

Risk margin is calculated for solvency purpose and does not exist in in statutory accounts.

Overview of net claims and premiums provisions and risk margin is provided in Table 6.

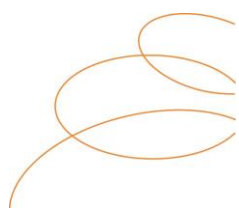
Table 6 Net provisions for claims, premiums and risk margin per line of business

Insurance class	Best estimate, net		Risk margin
	Tech. claims provisions	Tech. premiums provisions	
Medical expenses	206 860	14 397	14 654
Income protection	459 161	62 044	26 769
Workers' compensation	2 356 501	-47 613	251 560
Motor vehicle liability	571 935	143 165	59 378
Other motor	188 307	194 478	18 106
Marine, aviation and transport	10 058	1 512	289
Fire and other damage to property	1 316 084	369 294	52 183
General liability	559 038	76 047	31 097
Group life	113 305	56 130	690
Total	5 781 992	869 518	455 445

Total difference between net Solvency II claims provisions and claims provisions in statutory accounts was TNOK 107 640. Expected profit in future premiums was in total TNOK 178 056 per 31.12.2019.

Receivables stemming from reinsurance agreements constitute of difference between technical provisions at gross level and technical provisions calculated for own account and are assumed to apply to technical claims and premiums provisions, and not relevant for risk margin.

Amount receivable in accordance with reinsurance agreements for claims was TNOK 2 151 122 per 31.12.2019. Amount receivable in accordance with reinsurance agreements for premiums was TNOK 913 814 per 31.12.2019.



D.3 Other liabilities

Table 7 provides an overview of other liabilities with valuation different from statutory balance.

Table 7 Overview of other liabilities per 31.12.2019

Other liabilities	Solvency II	Statutory accounts
Financial derivatives	43 552	45 512
Reinsurance payables	1 231 512	1 266 236
Subordinated debt	1 263 526	1 243 285
Other liabilities	722 640	633 470

In Solvency II valuation of liabilities related to reinsurance the liabilities are discounted in line with expected branch-specific run-off patterns for corresponding claims reserves and relevant interest rate yield curves for different countries/currencies.

Solvency II value of subordinated debt is accounted for at nominal value in statutory accounts and reported at market value in Solvency II framework.

The value of other liabilities in Solvency II balance is different from statutory values due to reclassification of guarantee scheme from own capital to liabilities, ref 19.06.2014 clarification from the Norwegian Financial Supervisory Authority.

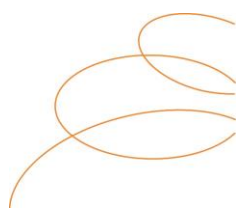
Deferred tax is assessed to be accounted for at market value as a starting point and constituted TNOK 103 149 per 31.12.2019.

D.4 Alternative methods for valuation

The company does not use alternative valuation methods.

D. Any other information

It was not uncovered other significant circumstances related to the company's valuation for solvency purposes in 2019.



E. Capital Management

E.1 Own funds

The main purpose of capital management is to support the strategy of Protector Forsikring and ensure that the company is well capitalized in order to resist downturn in macro economy and/ or downturn in the company's business. Protector Forsikring's capital projections are based on company's 3-year strategic plans and are updated on a regular basis as a part of the company's ORSA process. Overview of the company's available and eligible capital for coverage of solvency capital requirement and minimum capital requirement per 31.12.2019 and 31.12.2018 is provided in Table 8.

Table 8 Overview of available and eligible capital 2019-2018

Available own funds to meet the SCR	31.12.2019	31.12.2018
Tier 1 - unrestricted	1 692 593	1 729 601
Tier 1 - restricted	351 551	350 821
Tier 2	988 851	969 171
Total available own funds to meet SCR	3 032 994	3 049 594

Available own funds to meet the MCR	31.12.2019	31.12.2018
Tier 1 - unrestricted	1 692 593	1 729 601
Tier 1 - restricted	351 551	350 821
Tier 2	988 851	969 171
Total available own funds to meet the MCR	3 032 994	3 049 594

Eligible own funds to meet the SCR	31.12.2019	31.12.2018
Tier 1 - unrestricted	1 692 593	1 729 601
Tier 1 - restricted	351 551	350 821
Tier 2	866 644	829 682
Total eligible own funds to meet the SCR	2 910 788	2 910 104

Eligible own funds to meet the MCR	31.12.2019	31.12.2018
Tier 1 - unrestricted	1 692 593	1 729 601
Tier 1 - restricted	351 551	350 821
Tier 2	155 996	149 343
Total eligible own funds to meet the MCR	2 200 140	2 229 765

The company had no Tier 3 capital per 31.12.2019. Eligible capital per 31.12.2019 was at the same level as 2018 due to weak results.

Figure 5 provides reconciliation between the company's shareholders equity and Solvency II capital.

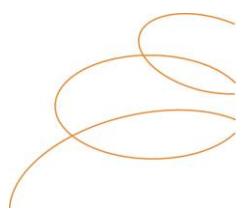
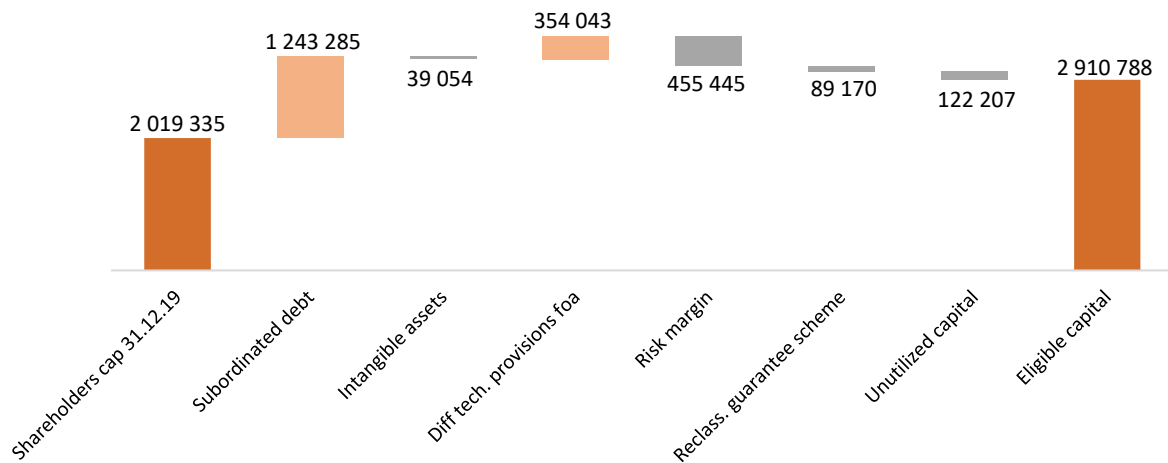


Figure 5 Overview of Solvency II capital compared to shareholders equity in statutory accounts



Main differences arise due to:

- Difference in valuation of assets and liabilities in Solvency II balance compared to statutory accounts as described above;
- Inclusion of subordinated debt as capital available for covering of solvency capital requirement and minimum capital requirement.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Overview of the company's solvency capital requirement and its composition and minimum capital requirement calculated using Solvency II standard formula per 31.12.2019 and 31.12.2018 is provided in Table 9.

Table 9 Composition of Solvency II capital requirement and minimum capital requirement

Solvency capital requirement (SCR)	31.12.2019	31.12.2018
Total market risk	539 067	664 926
Total counterparty default risk	61 750	108 554
Total health underwriting risk	1 109 698	995 216
Total non-life underwriting risk	1 249 970	1 143 868
Diversification	-997 742	-994 689
Basic Solvency Capital Requirement	1 962 744	1 917 875
Total capital requirement for operational risk	260 584	223 210
Loss-absorbing capacity of deferred taxes	-490 040	-481 721
Total solvency capital requirement	1 733 288	1 659 364
Minimum capital requirement		
Total minimum capital requirement	779 980	746 714

Protector Forsikring does not use any simplifications nor any company-specific parameters for calculation of solvency capital requirement.

The company uses applicable solvency capital requirement for calculation of lower and upper boundaries for minimum capital requirement. For calculation of minimum capital requirement for non-life insurance (inc. health-related insurance) written premiums for own account per line of business during last 12 months before reporting date are used as well as best estimate for claims provisions for own account per line of business at reporting date. Each of these amounts are multiplied by defined percentage parameters, and sum yields minimum capital requirement based on premium income and claims provisions for non-life insurance (inc. health-related insurance). In addition, minimum capital requirement is calculated for lines of business defined as life insurance (group life). Calculation of the component related to life insurance includes best estimate of claims provisions for own account at reporting date and the total risk sum at reporting date. Risk sum is the amount which the company will pay in case of death of the insured, reduced by receivables in accordance with the company's reinsurance agreements. Each of these amounts are multiplied by defined percentage parameters, and sum yields minimum capital requirement for life insurance (limited within lower and upper boundaries for minimum capital requirement).

Total solvency capital requirement per 31.12.2019 compared to previous year has increased by 4% due to higher insurance risk. Insurance risk increased during the period due to the company's growth and weak profitability.

E.3 Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company does not use duration-based submodule for equities risk in calculation of solvency capital requirement.

E.4 Differences between the standard formula and any internal module used

The company does not use internal models.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The company complies fulfils minimum and solvency capital requirement.

E.6 Any other information

All significant information about the company's capital per 31.12.2019 is deemed provided above.

