

First quarter 2009 report

Highlights (Compared with the first quarter 2008)

- Gross premiums written NOK 388m, up 22% from NOK 318.5m
- Operating profit of NOK 30.9m, up from NOK 11.2m
- Net combined ratio 97.6%, up from 93.2%
- Return on investments 2.1%, up from -0.4%

Financial highlights and key ratios

[1.000 NOK]	Q1 2009	Q1 2008	2008
Gross premiums written	388 022	318 506	728 997
Gross premiums earned	180 831	164 271	720 491
Gross claims incurred	(141 667)	(127 735)	(549 069)
Earned premiums, net of reinsurance	139 585	205 752	592 370
Claims incurred, net of reinsurance	(116 138)	(178 498)	(477 063)
Net commission income	15 074	15 587	32 727
Operating expenses	(35 217)	(28 924)	(117 921)
Other income/costs	1 633	1 841	7 537
Net financial income	25 948	(4 575)	(28 217)
Operating profit before security provision etc	30 885	11 183	9 433
Claims ratio, net of ceded business	(1) 83,2 %	86,8 %	80,5 %
Cost ratio, net of ceded business	(2) 14,4 %	6,5 %	14,4 %
Combined ratio, net of ceded business	(3) 97,6 %	93,2 %	94,9 %
Retention rate	(4) 77,2 %	125,3 %	82,2 %
Solvency capital	(5) 534 158	613 505	508 866
Capital adequacy ratio (risk weighted)	(6) 34 %	81 %	34 %
Operating profit before security provision etc per share	(7) 0,36	0,11	0,10

(1) Claims incurred, net of reinsurance in % of earned premiums, net of reinsurance

(2) Operating expenses in % of earned premiums, net of reinsurance

(3) Net claims ratio + net expense ratio

(4) Earned premiums, net of reinsurance in % of gross earned premiums

(5) Equity + security provision etc

(6) Net primary capital (including net profit/loss for the period) in % of risk weighted assets.

(7) Operating profit before security provision etc. divided by weighted number of shares

Premiums

Gross premiums written totalled NOK 388m, representing a 22% growth compared to Q1 2008. Gross premiums earned increased by NOK 16.6m to a total of NOK 180.8m. Premiums earned for own account was NOK 139.6m, a decrease of 32% compared to Q1 2008. In Q1 2008, premiums earned for own account was increased by NOK 92.7m as a one-off due to changes in the reinsurance structure (claims incurred for own account was increased by a corresponding amount). Premiums earned for own account in Q1 2009 represented 77.2% of gross premiums earned, compared to 125.3% in Q1 2008. The retention rate in Q1 2008, adjusted for the change in reinsurance structure, was 68.8%.

Gross premiums written within the commercial and public sector totalled NOK 304m, corresponding to a growth of 25% over Q1 2008. In the first quarter of 2009, Protector has experienced low property rates in the municipality sector and in the upper commercial segment. The hit ratio on property bids within these segments has been close to 0%.

Within the affinity segment, gross premiums written amounted to NOK 84m compared to NOK 75.5m in Q1 2008. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 47.5 million, down 9% relatively to Q1 2008. The decrease is mainly due to a lower turn-over-rate in the real estate market. From 1 April 2008, new policies sold within change of ownership are on risk at the date when the purchase contract of the property is signed, and not as earlier at the takeover date. The product change gives 4-6 weeks in extra premium in Q1 2009 compared to Q1 2008, corresponding to NOK 8.6m.

Results

Operating profit before changes in security provision and tax amounted to NOK 30.9m, against NOK 11.2m in Q1 2008. Net profit for Q1 2009 amounted to NOK 16.1m, against NOK – 3.1m in Q1 2008.

The combined ratio net was in the first quarter 97.6%, 4.4 percentage points higher than the 93.2% reported in Q1 2008. The increase is driven by the decrease in premiums for own account and higher net operating expenses mainly due to an increase in the number of employees, one-off-costs related to the Nemi process (NOK 3m) and a decrease in reinsurance commissions due to changes in the reinsurance structure (NOK 11.8m). Net claims ratio was 83.2% compared to 86.8% the year-earlier period. In Q1, net run-off-losses amounted to NOK 9.2m against run-off-losses of NOK 11m in Q1 2008. The run-off-losses had a negative impact on the claims ratio of 6.6 percentage points.

Within the commercial and public sector, the technical result in the first quarter is acceptable considering the seasonal fluctuations. Within the affinity segment, the technical result is acceptable.

The investment portfolio amounted to a total of NOK 1.36bn at 31 March 2009.

Investment activities yielded a total return of NOK 25.9m compared with a negative return of NOK 4.6m in the first quarter of 2008. The higher return was mainly attributable to an increase in equity prices totalling NOK 10.4m, against a NOK 15.6 decrease in Q1 2008.

End of Q1 2009 15.8% of Protector's financial assets were invested in equities. The weight of equity investments end of Q1 2008 was 15%.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q1 increased by NOK 25.3m to NOK 534.2m. The capital adequacy ratio was end of Q1 32%, which exceeds the minimum requirement by NOK 203m.

The Board of Directors holds a mandate granted by Protector's AGM 15 April 2009 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2010. End of Q1 2009, the company has no holding of treasury shares.

The AGM 15 April 2009 resolved to extend the exercise period for the outstanding employee options (3 244 334 options) to 28 August 2011. The options can be exercised every half year, respectively 28 August and 28 February each year. The strike price in the period is equal to the strike price 28 August 2009, NOK 7,75.

The AGM 15 April 2009 resolved to pay out a dividend of NOK 0,35 per share (totalling NOK 30.2m) for the fiscal year 2008. End of Q1 2009, the dividend is booked as a reduction in other earned equity and as an increase in other liabilities. The dividend was paid out on 28 April 2009.

Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter and expects in 2009 further growth and improved operating profit.

Oslo, 6 May 2009

The Board of Directors of Protector Forsikring ASA

Accounting principles

These interim accounts have been prepared in accordance with IAS 34 and in line with the accounting principles described in the annual report for 2008.

Income statement

[1.000 NOK]	Q1 2009	Q1 2008	2008
Premium income			
Gross written premiums	388 022	318 506	728 997
Ceded insurance premiums	(83 270)	(7 096)	(101 070)
Change in provisions for unearned premiums	(207 191)	(154 236)	(8 506)
Change in reinsurers' share of provisions for unearned premiums	42 023	48 577	(27 051)
Earned premiums, net of reinsurance	139 585	205 752	592 370
Allocated return on investment transferred from non-technical account	5 341	5 821	30 554
Claims incurred			
Claims paid	(98 280)	(100 523)	(419 335)
Reinsurers' share of paid claims	31 935	34 598	156 910
Change in provisions for claims	(43 387)	(27 212)	(129 734)
Change in reinsurers' share of claims provisions	(6 406)	(85 361)	(84 903)
Claims incurred, net of reinsurance	(116 138)	(178 498)	(477 063)
Operating expenses			
Sales costs	(1 553)	(8 002)	(11 952)
Administration costs	(35 217)	(28 924)	(117 921)
Commission from reinsurers	16 628	23 589	44 678
Total operating expenses, net of reinsurance	(20 143)	(13 337)	(85 194)
Technical result before changes in security provision etc.	8 646	19 738	60 667
Changes in security provision etc.	(7 896)	(14 628)	(54 828)
Technical result	749	5 110	5 839
Net income from financial assets	25 948	(4 575)	(28 217)
Allocated return on investment transferred to technical account	(5 341)	(5 821)	(30 554)
Other income	1 633	1 841	7 537
Non-technical result	22 239	(8 556)	(51 234)
Profit before tax	22 988	(3 446)	(45 395)
Tax	(6 844)	394	(9 730)
Profit before components of comprehensive income	16 144	(3 052)	(55 125)
Profit for the period	16 144	(3 052)	(55 125)
Earnings per share	0,19	(0,03)	(0,60)
Earnings per share, diluted	0,18	(0,03)	(0,58)

Balance Sheet

[1.000 NOK]	31.03.2009	31.03.2008	31.12.2008
Assets			
Intangible fixed assets			
Goodwill	628	985	716
Other intangible fixed assets	4 188	2 307	4 960
Total intangible fixed assets	4 816	3 292	5 676
Financial assets			
Financial assets at amortised cost	266 119	149 130	265 547
Financial assets at fair value through profit or loss	1 096 031	1 089 085	955 719
Total financial assets	1 362 150	1 238 215	1 221 266
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	79 319	104 589	34 336
Reinsurers share of gross claims provisions	263 364	269 312	269 770
Total reinsurers share of gross technical provisions	342 683	373 902	304 106
Receivables			
Direct insurance receivables	93 269	86 515	42 128
Total receivables	93 269	86 515	42 128
Other assets			
Tangible fixed assets	3 690	3 752	3 709
Cash and bank deposits	154 921	94 376	37 216
Total other assets	158 611	98 128	40 925
Total prepaid expenses	2 593	9 701	6 785
Total assets	1 964 121	1 809 753	1 620 886
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	103 364	86 156
Own shares	-	(7 674)	-
Share premium account	-	242 204	-
Other paid-in equity	11 423	7 860	10 171
Total paid-in equity	97 579	345 754	96 327
Earned equity			
Technical provisions	71 050	56 011	66 411
Other equity	204 657	98 963	193 152
Total earned equity	275 707	154 974	259 563
Total equity	373 286	500 728	355 890
Technical provisions			
Provisions for unearned premiums	304 750	243 289	97 559
Provisions for claims	818 369	672 460	774 983
Security provision etc.	160 872	112 777	152 976
Total technical provisions	1 283 991	1 028 526	1 025 517
Provisions for other risks and liabilities			
Pension liabilities	3 974	1 992	3 974
Deferred tax liability	33 315	18 038	28 161
Total provisions for other risks and liabilities	37 290	20 030	32 135
Liabilities			
Liabilities in connection with insurance	6 010	14 667	5 927
Liabilities in connection with reinsurance	200 731	224 818	152 221
Other liabilities	60 697	17 693	41 991
Total liabilities	267 438	257 178	200 139
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	2 117	3 291	7 205
Total incurred expenses and prepaid income	2 117	3 291	7 205
Total equity and liabilities	1 964 121	1 809 753	1 620 886

Reconciliation of changes in equity

[1.000 NOK]	Share Capital	Own shares	Share Premium Account	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12 2007	103 364	(2 452)	242 204	6 645	43 639	151 024	544 424
Option cost, effect on equity				1 215		-	1 215
Own shares		(5 222)				(36 637)	(41 859)
Profit for the period					12 372	(15 424)	(3 052)
Equity at 31.03 2008	103 364	(7 674)	242 204	7 860	56 011	98 963	500 728
Option cost, effect on equity				1 279			1 279
Own shares		(1 843)				(12 781)	(14 625)
Capital write-down			(242 204)			242 204	-
Profit for the period					3 134	37 624	40 758
Equity at 30.06 2008	103 364	(9 517)	-	9 139	59 145	366 009	528 140
Own shares	(7 674)	(17)				(42 606)	(50 297)
Profit for the period					5 761	(39 932)	(34 171)
Equity at 30.09 2008	95 690	(9 534)	-	9 139	64 906	283 471	443 671
Option cost, effect on equity				1 032			1 032
Own shares	(9 534)	9 534					-
Dividend						(30 154)	(30 154)
Profit for the period					1 505	(60 164)	(58 659)
Equity at 31.12 2008	86 156	-	-	10 171	66 411	193 152	355 890
Option cost, effect on equity				1 252			1 252
Profit for the period					4 639	11 505	16 144
Equity at 31.03 2009	86 156	-	-	11 423	71 050	204 657	373 286

Cash flow statement

[1.000 NOK]	Q1 2009	Q1 2008	2008
Net cashflow from operational activities	238 331	136 782	250 188
Net invested in financial assets	(142 686)	(91 155)	(81 661)
Net cashflow from investment activities	(348)	(41 859)	(112 782)
Net change in cash and cash equivalents	95 296	3 769	55 745
Cash and cash equivalents at the beginning of the period	151 596	95 851	95 851
Cash and cash equivalents at the end of the period	246 892	99 620	151 596

Quarterly outline Q1 2007 – Q1 2009

[1.000 NOK]	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Gross premiums written	388 022	92 950	119 168	198 372	318 506	125 808	156 305	144 677	238 152
Gross premiums earned	180 831	166 747	184 674	204 799	164 271	173 454	180 434	157 088	138 659
Gross claims incurred	(141 667)	(157 481)	(110 040)	(153 813)	(127 735)	(147 196)	(107 508)	(177 153)	(101 698)
Earned premiums, net of reinsurance	139 585	113 612	126 805	146 201	205 752	107 521	109 983	86 478	71 797
Claims incurred, net of reinsurance	(116 138)	(95 577)	(81 588)	(121 400)	(178 498)	(76 694)	(78 142)	(70 973)	(42 998)
Total operating expenses, net of reinsurance	(20 143)	(31 331)	(23 520)	(17 006)	(13 337)	(27 487)	(20 356)	(13 675)	7 572
Other income	1 633	1 296	2 434	1 966	1 841	1 733	1 597	2 481	1 115
Net income from financial assets	25 948	(36 810)	(33 270)	46 438	(4 575)	11 456	16 251	6 725	5 720
Operating profit before changes in security provision	30 885	(48 810)	(9 138)	56 199	11 183	16 529	29 333	11 036	43 205
Changes in security provision etc.	(7 896)	(21 647)	(10 313)	(8 239)	(14 628)	(31 210)	(4 499)	(7 569)	(8 613)
Profit before tax	22 988	(70 457)	(19 451)	47 959	(3 446)	(14 681)	24 834	3 467	34 593
Tax	(6 844)	11 798	(14 720)	(7 201)	394	2 142	(6 954)	3 965	(9 686)
Net profit/loss	16 144	(58 659)	(34 171)	40 758	(3 052)	(12 538)	17 880	7 431	24 907
Key ratios									
Claims ratio, net of ceded business	83,2 %	84,1 %	64,3 %	83,0 %	86,8 %	71,3 %	71,0 %	82,1 %	59,9 %
Cost ratio, net of ceded business	14,4 %	27,6 %	18,5 %	11,6 %	6,5 %	25,6 %	18,5 %	15,8 %	-10,5 %
Combined ratio, net of ceded business	97,6 %	111,7 %	82,9 %	94,7 %	93,2 %	96,9 %	89,6 %	97,9 %	49,3 %
Gross cost ratio	20,3 %	21,3 %	15,5 %	14,1 %	22,5 %	19,0 %	14,9 %	16,1 %	21,0 %