

# PROTECTOR

forsikring

Q1 results 2011

Investor presentation

5 May 2011

# Facts about Protector

- A focused non-life Norwegian insurance company
- Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
- Vision: "Protector will be the challenger to the established insurance companies"
- Main targets:
  - Being top three in Protector's defined business segments
  - Cost leadership
  - Being preferred by the brokers

- Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, DnB NOR SMB, Nordea, employees, etc.
- Strong results, average combined ratio 2004 - 2010, 92%
- GWP in 2010: MNOK 1.011, further growth in 2011
- Solid balance sheet, solvency capital of MNOK 940, investment portfolio > 2,3bn.

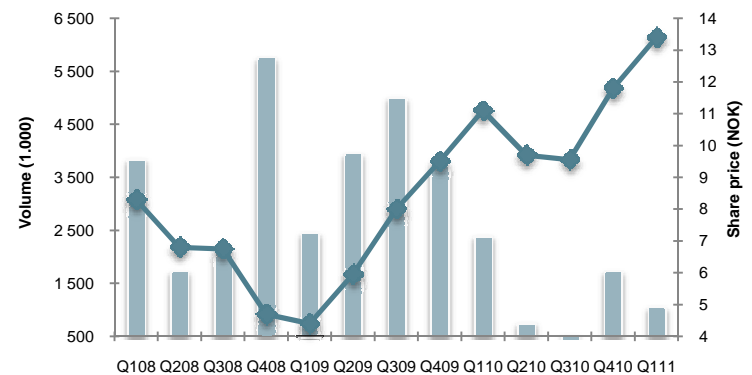
## Outlook 2011:

GWP + 18%  
CR ~ 88

## Dividend policy:

5-15% of the solvency capital  
Share buy backs for additional surplus capital

Protector share  
Quarterly volume and share price end of quarter<sup>1</sup>



<sup>1</sup> Share buy back not included in the volume figures

# Highlights Q1 2011

A profitable growth story, increased volume guiding

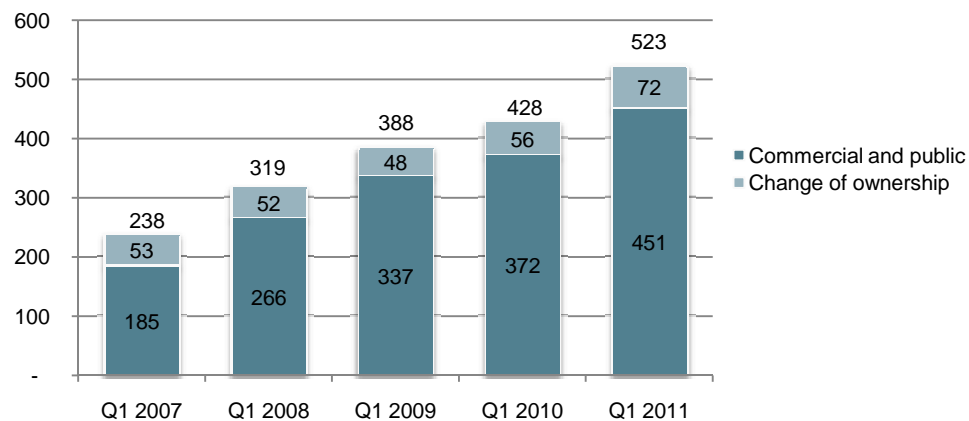
- GWP up 22 %
  - Commercial and public lines of business, up 21%
  - Change of ownership insurance, up 28%
- Net combined ratio, 82.7%, down 7.3 percentage points
- Return on investments, NOK 22.6m (1%), down from NOK 39,4m (2.2%)
  - 23% growth in investment portfolio
- Operating profit, NOK 57.6m, up from 56.9m
- Increased volume guiding, 18% growth up from 15%

# Gross written premium Q1 2011

GWP up 22%, from NOK 427.9m to NOK 522.7m

- GWP up 21% within the commercial and public lines of business
  - Good renewal rate, 85%, up from 78% in Q1 2010
  - Strong new sales and good access to quotations
  
- Change of ownership insurance, 28% growth
  - Increased real estate prices
  - Higher real estate turnover rate
  - Continued increased market share

GWP Q1 2007 – Q1 2011 (NOKm)

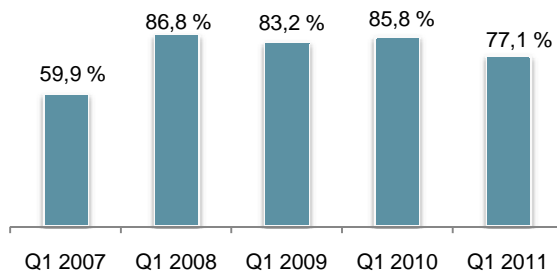


# Claims development Q1 2011

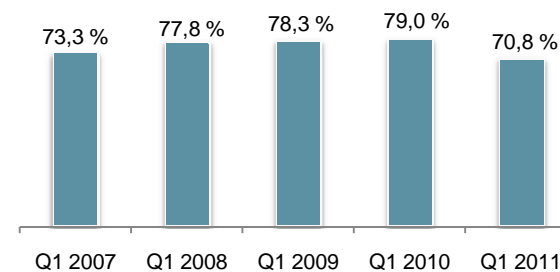
## Net claims ratio 77.1%, down from 85.8%

- a single high volume/very low claims ratio contract, drives the claims ratio downwards
  - Approx 4 % on gross and net claims ratio
- Strong development within the commercial and public sector
  - Q1 normally the weakest quarter
  - 0 large claims
- Run-off-losses of NOK 11.6m
  - Change of ownership insurance; Run-off-losses of NOK 8.3m
  - Commercial and public lines of business; Run off-off-losses of NOK 3.3m
- Gross claims ratio 70.8%, down from 79.0%

Net claims ratio Q1 2007 – Q1 2011



Gross claims ratio Q1 2007 – Q1 2011

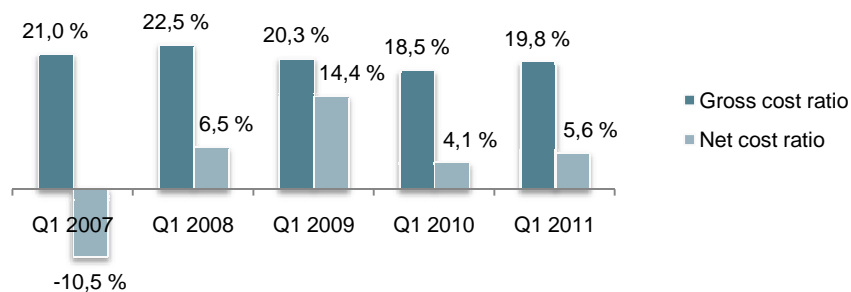


# Cost ratio Q1 2011

## Gross and net cost ratio up in Q1 but...

- a single high volume/very high cost ratio contract, drives the cost ratios upwards
  - Contract moved from Q4 10 to Q1 11
  - 4.1 percentage points negative effect on gross cost ratio
  - 4.5 percentage points negative effect on net cost ratio
- Gross cost ratio 19.8%, up from 18.5%
  - Average no. of employees 110, up from 100 in Q1 10,1 down YTD
  - No significant changes in no. of employees are expected in 2011
  - Scalability will handle the strong growth in Q2 – Q4
  - Underlying cost ratio 15.7%
- Net cost ratio 5.6%, up from 4.1%
  - Underlying cost ratio 1.1%

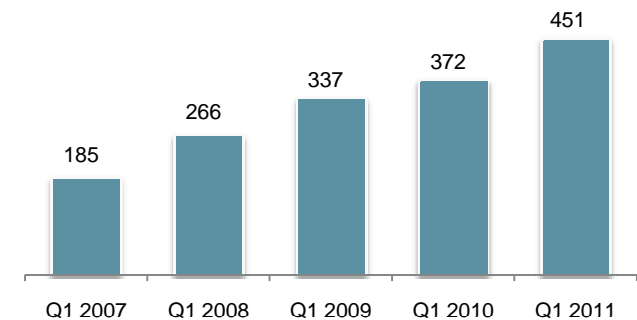
Cost ratio Q1 2007 – Q1 2011



## Highlights Q1 11 - Commercial and public lines of business

- Volume up 21%
  - Underlying trend 19%, high volume contract moved from Q4 10 to Q1 11
  - Municipality sector stabilized
  - Still fast growing in the commercial sector, 54% growth
  - 1 large win and 1 losses in the municipality sector
    - Our biggest municipality customer priced out
  - 7 large wins and 0 losses in the commercial sector
- Personal lines of business 67% of totality but
  - 26% growth within other lines of business
  - 19% growth within the personal lines of business
- Renewal rate 85%, on target
- Cost programme on schedule
  - Significant results will appear in Q3-Q4
- Start up in Sweden
  - 9 municipalities on the customer list, NOK 12m in volume
  - One new broker and 4 new Q2/Q3 customers on board
  - Country manager starting 1 July
- High level of quotations in Q2
  - 3 large wins, 1 loss

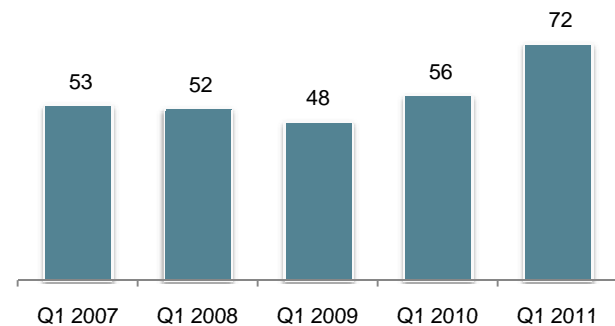
Gross written premium (NOKm)



## Highlights Q1 2011 - Change of ownership insurance

- Strong real estate market
  - Real estate prices up 8,4% relatively to Q1 2010
  - Turnover rate down 5 days in Jan and Feb and 1 day in March relatively to the same period in 2010
- Volume up 28%
  - Continued increased market share
  - Hit ratio stable on a high level
- Unprofitable in Q1
  - Run-off losses of NOK 8.3m
  - Cost ratio as always on a high level in Q1 due to seasonality
- Profitability actions within claims handling on schedule
- Black figures expected in Q2
- Real estate market still strong in April
  - Very strong Q2 volume expected

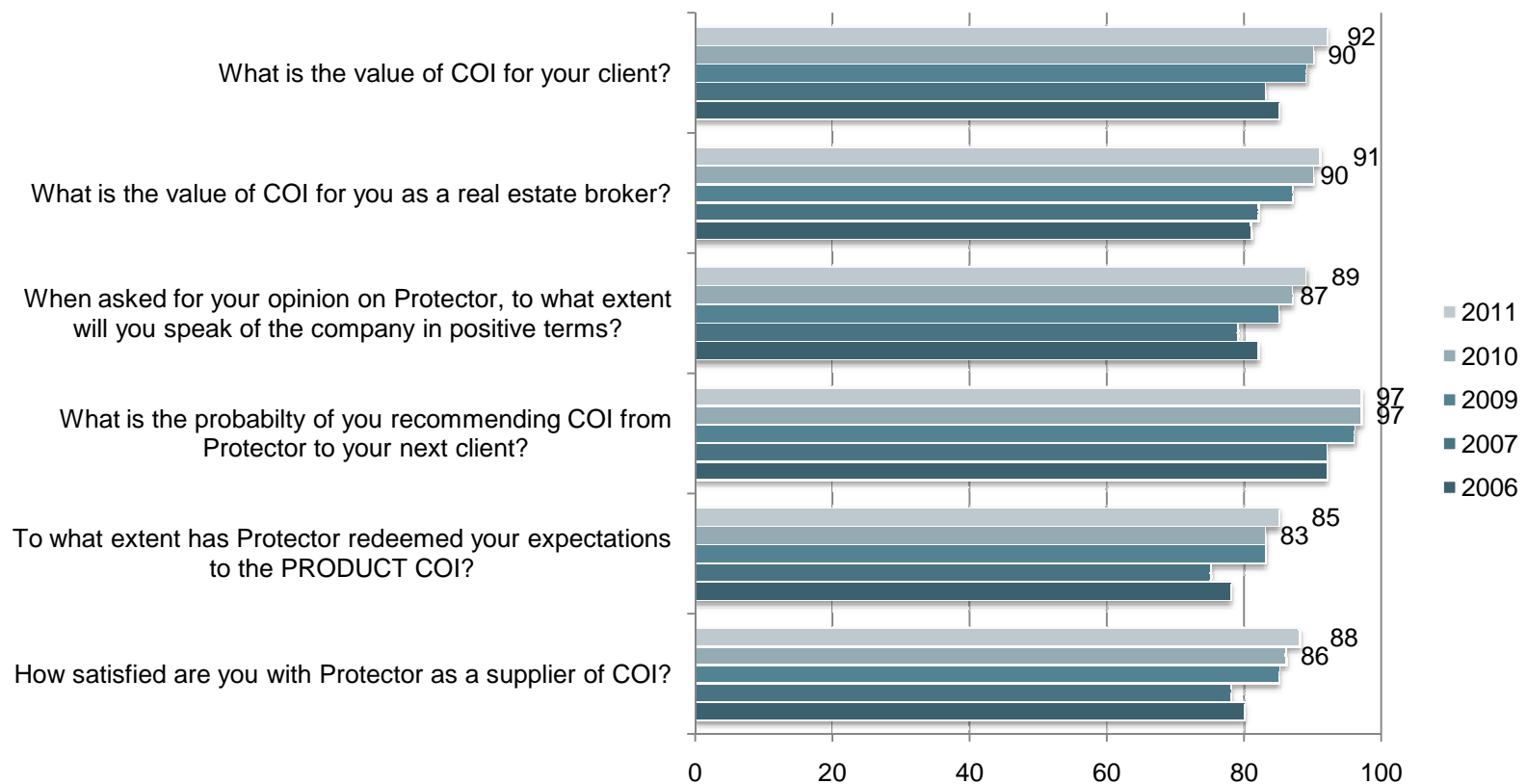
Gross written premium (NOKm)





## Evaluation of Protector among Real Estate Brokers

- All-time-high, 88%



# Results Q1 2011

NOKm	Q1 2011	Q1 2010	2010
<b>Premiums written gross</b>	<b>522,7</b>	<b>427,9</b>	<b>1 011,0</b>
Premiums earned gross	261,5	208,8	987,7
Claims incurred gross	(185,2)	(165,0)	(743,7)
Premiums earned for own account	199,5	165,1	792,3
Claims incurred for own account	(153,9)	(141,7)	(608,4)
Operating costs	(11,2)	(6,8)	(125,9)
Net financial income	22,6	39,4	176,2
Other income/costs	0,5	1,0	(0,2)
<b>Profit before change in security provision etc.</b>	<b>57,6</b>	<b>56,9</b>	<b>234,0</b>
Change in security provision etc.	(7,1)	(7,1)	(92,2)
<b>Profit after change in security provision etc.</b>	<b>50,5</b>	<b>49,8</b>	<b>141,8</b>
Net claims ratio	77,1 %	85,8 %	76,8 %
Net cost ratio	5,6 %	4,1 %	15,9 %
<b>Net combined ratio</b>	<b>82,7 %</b>	<b>90,0 %</b>	<b>92,7 %</b>
Retention rate	76,3 %	79,1 %	80,2 %

Note:

*Net claims ratio = claims incurred for own account / NPE*

*Net cost ratio = (sales costs + admin costs + commission on reinsurance ceded)/NPE*

*Retention rate = NPE in % of GPE*

# Balance sheet Q1 2011

NOKm	31.03.2011	31.03.2010	31.12.2010
Financial assets	2 335,0	1 899,0	2 021,5
Bank deposits	133,5	118,9	99,9
Other assets	381,0	326,4	264,5
<b>Total assets</b>	<b>2 849,5</b>	<b>2 344,3</b>	<b>2 386,0</b>
Total equity	626,3	613,4	587,5
Total reserves	2 016,4	1 630,6	1 689,4
Other liabilities	206,8	100,3	109,2
<b>Total equity and liabilities</b>	<b>2 849,5</b>	<b>2 344,3</b>	<b>2 386,0</b>
Solvency capital	940,2	835,2	894,3
Return on solvency capital	6 %	8 %	28 %
Solvency capital per share, end of period	11,4	10,1	10,8
Solvency margin	255 %	261 %	109 %
Capital adequacy ratio (risk weighted)	18 %	28 %	20 %
NAV	852,3	773,1	808,4
NAV per share, end of period	10,3	9,3	9,8

Note:

*Solvency Capital = shareholder's funds + security provision etc.*

*Return on solvency capital: Operating profit / average solvency capital*

*Solvency margin = solvency capital / NPW*

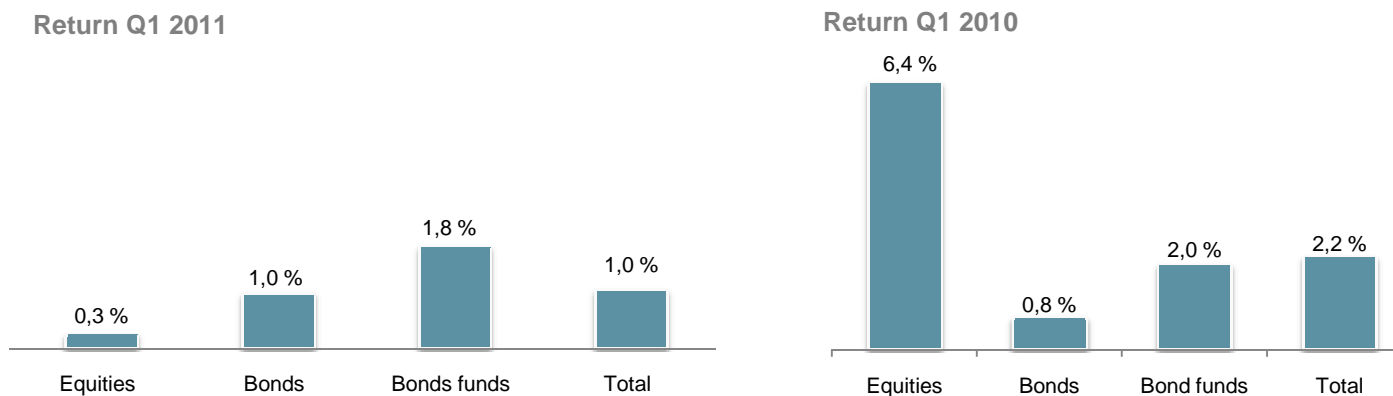
*NAV = total equity pluss 72% of the total security provision etc.*

*No. of shares = total outstanding shares ex own shares*

- 23% growth in the investment portfolio

## Investment performance Q1 2011

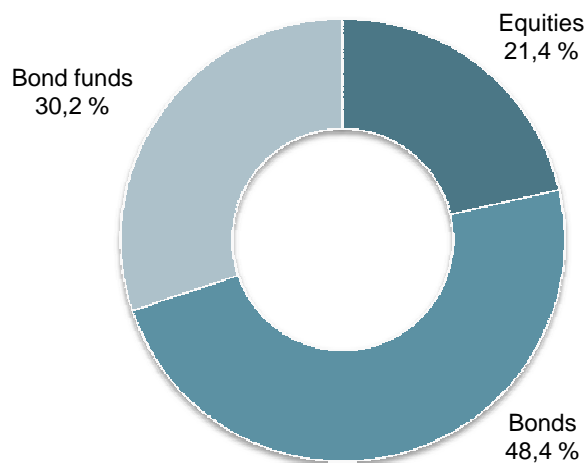
- Net investment result of NOK 22.6m, 1.0% return (NOK 39.4m, 2.2%)
- Equities, return of 0.3% (6.4%), OSEBX 1.3%
- Bond portfolio, return of 1.3% (1%), slightly increased risk exposure
- Investment portfolio of NOK 2.335m (NOK 1.899m), 23% growth



# Asset allocation

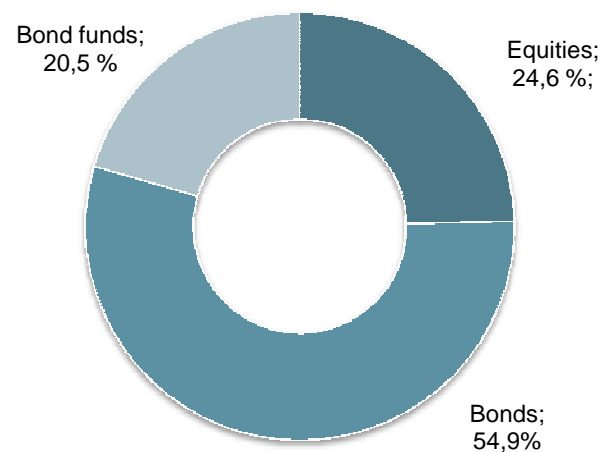
- Bonds 78.6% of portfolio, Norwegian equities 21.4%

Allocation of investments 31.03.2011



Total financial assets; NOK 2 335m

Allocation of investments 31.12.2010

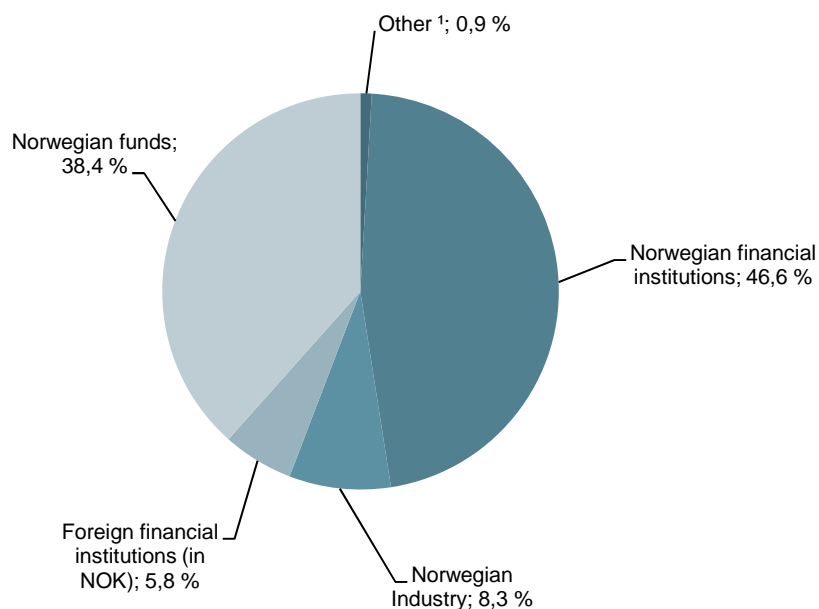


Total financial assets; NOK 2 022m

## Portfolio structure and quality bond portfolio

- Duration (credit) of bond portfolio is 2,24 years (2,55 years)  
- Interest duration 0,26 years (0,35 years)
- Slightly increased risk in non rated funds

Bond portfolio 31 March 2011



Quality bond portfolio 31 March 2011

Split of fixed income portfolio	NOK mill	%
Bonds	1 053 307	57 %
Bond funds	705 127	38 %
Bank deposits	77 298	4 %
<b>Total</b>	<b>1 835 731</b>	<b>100 %</b>
<b>Rating including internal rating by Norwegian financial institutions</b>		
Investmentgrade	1 058 652	58 %
High yield	71 953	4 %
Non rated (funds)	705 127	38 %
<b>Total</b>	<b>1 835 731</b>	<b>100 %</b>

<sup>1</sup> Government bonds

# Shareholder matters 27 April 2011

Shareholder	No. shares	Percent
ODIN NORDEN	7 201 655	8,36 %
MSF-MUTUAL FINANCIAL SERVICES FD	4 479 410	5,20 %
DNB NOR LUXEMBOURG SA	3 748 289	4,35 %
PROTECTOR FORSIKRING ASA	3 570 661	4,14 %
OJADA AS	3 563 116	4,14 %
ALFRED BERG GAMBAK VPF	3 532 642	4,10 %
DNB NOR SMB VPF	3 149 700	3,66 %
BERGTOR AS	3 083 300	3,58 %
TJONGSFJORD INVEST AS <sup>1</sup>	2 661 809	3,09 %
GABLER RÅDGIVNING AS <sup>2</sup>	2 652 751	3,08 %
MP PENSJON	2 375 706	2,76 %
VPF NORDEA NORGE	2 349 588	2,73 %
MORGAN STANLEY & CO	2 282 761	2,65 %
LETRA INVEST AS	1 873 451	2,17 %
HATHON HOLDING AS	1 785 988	2,07 %
ALFRED BERG NORGE + VPF	1 776 000	2,06 %
FROGNES AS	1 649 916	1,92 %
JOHAN VINJE AS	1 437 841	1,67 %
TRAFALGAR AS	1 403 938	1,63 %
PETROSERVICE AS	1 343 815	1,56 %
<b>TOTAL 20 LARGEST</b>	<b>55 922 337</b>	<b>64,91 %</b>
<b>OTHERS</b>	<b>30 233 268</b>	<b>35,09 %</b>
<b>TOTAL SHARES</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.772

<sup>1</sup> CEO Sverre Bjerkeli

<sup>2</sup> Chairman of the Board, Jostein Servoll

## Related parties shareholding

- Management's direct and indirect shareholding totals 4,4m shares or 5,2 % of current outstanding shares
- Board members directly and indirectly own a total of 6,5m shares or 7,5% of current outstanding shares
- 45 employees own directly a total of 4.8 m shares or 5.6% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,14% of current outstanding shares

## Outlook 2011, increased volume

Guiding 24 February 2011



Guiding 5 May 2011

- GWP up 15%
  - Status per Q1, ahead of schedule
- Combined ratio 88%
  - Status per Q1, ahead of schedule
- Return on investments 5,5%
  - Status per Q1, behind schedule
- Operating profit NOK 230m
  - Status per Q1, behind schedule
- Return on solvency capital 24%
  - Status per Q1, behind schedule

GWP up 18%

Combined ratio 88%

Return on investments 5,5%

Operating profit NOK 230m

Return on solvency 24%



## Outlook 2011

NOKm	2010	Old 2011e	New 2011e
Premium growth (%)	16	15	18
Operating profit	234	230	230
Investment Income	176.1	125	125
Gross cost ratio (%)	17.9	16	16
Net combined ratio (%)	92.7	88	88
Return on solvency (%)	28	24	24

**Return assumptions 2011:**

Equity allocation approx. 25%  
Return equities: 8% p.a.  
Return bonds: 4.6% p.a.

Average invested capital: NOK 2.300m

## Summary Q1 2011

- Volume up 22%
- Net combined ratio 82.7%, down from 90%
- Operating profit of NOK 57.6m, up from NOK 56.9m
- Return on investments, NOK 22.6m (1%), down NOK 39.4m (2.2%)
  
- Increased volume guiding, 18% growth up from 15%
  
- Very good volume expected in Q2

## Appendix – Commercial and public lines of business

## Profitability-project is starting to pay off – claims ratio

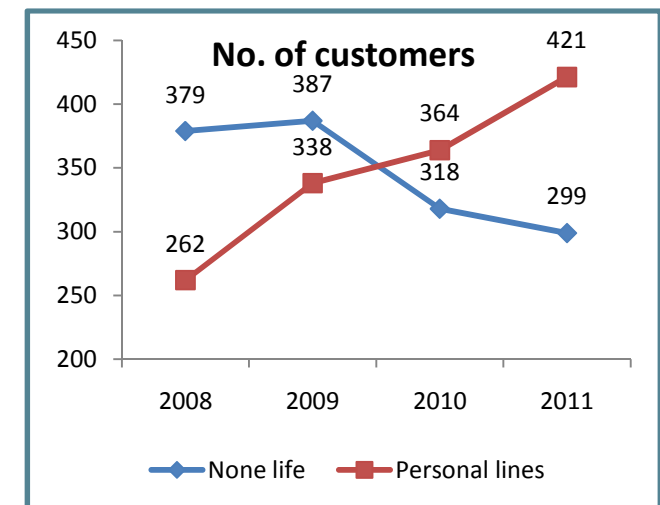
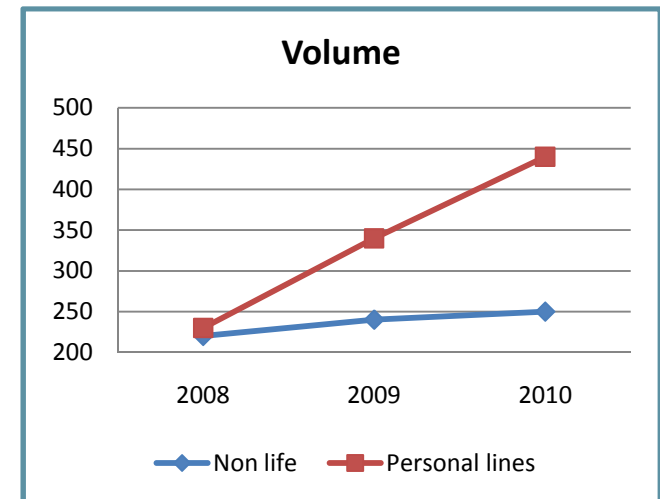
- New agenda with focus on profit started autumn 2009
- Portfolio evaluation, identification of undesirable business segments
- Target is to liquidate 35-40 mill – 7-8 % of portfolio

	<b>Volume</b>	<b>Target</b>	<b>Status</b>
Selected segments	15 mill	90 %	90 %
Unprofitable affinity schemes	13 mill	95 %	70 % (100 % by 31.12)
Others	12 mill	98 %	95 %

- Effects on underwriting in new sales
  - More focused and strategic customer selection and risk assessments
- Portfolio quality improved entering 2011

## Focus on efficiency – cost ratio

- Gross cost ratio in 2010 15,7 %, up from 13,7 % in 2009
- Strong volume growth in the same period, 13 % growth
- Protector is developing, portfolio composition changing
  
- Actions taken in Q1 2011
  - Horizontal development, employees advance across underwriting, service and claims
  - Vertical development, fewer employees in each process
  - Projects encouraging efficiency in multiple areas
    - Tailored processes for small clients
    - New sales suspended and operations adjusted on affinity for private segments
    - IT as a business accelerator
  - Adjustments in staff, no. of employees entering Q3 2011 down by 11 from 2010
  
- Cost ratio targeted to be reduced by 3 percentage points in 2011 and an additional 3 percentage points in 2012
  - Status per Q1, ahead of schedule



## Focus on relationships creates growth opportunities

- Business Idea: “This will happen through unique relationships, state of the art decision making, and cost effective solutions”
- Core values; Trustworthy, Accomodative, Brave, Enthusiastic
- Protectors three lodestars are:
  - Easy to do business with
  - Commercially attractive
  - Trustworthy
- Proved delivery quality in all areas:
  - Sales, underwriting, service, claims handling
- Applied performance culture
  - Building relationships with clear targets and structured follow-ups
- Relationships with all leading brokers
  - Rated as no. 1 fourth year in a row

		Sponsor: Sverre					
Megler	Bransje	KAM	Poeng			Res	
			KAM	MS	UW Pe		UW Sk
a	Skade	HG	3	2	1	N/A	60 %
b	Person	HG	3	1	N/A	3	78 %
c	Person	HG	3	2	N/A	3	58 %
d	Person	HG	3	1	N/A	3	78 %
e	Skade	HG	3	1	2	N/A	70 %
f	Skade	HG	3	2	2	N/A	75 %
g	Skade	HG	3	2	2	N/A	88 %
h	Skade	HG	3	2	2	N/A	88 %
i	Skade	HG	3	0	2	N/A	58 %
j	Person	HG	3	1	N/A	3	78 %
k	Person	HG	2	1	N/A	1	50 %
l	Person	HG	3	3	N/A	2	94 %
m	Person	HG	3	2	N/A	3	89 %
n	Person	HG	3	2	N/A	3	89 %
o	Person	HG	3	2	N/A	1	78 %
Sum			44	24	11	22	78 %

