

# Interim report Q4 2011

(Unaudited)

## Highlights 2011

### Weak return on investments, strong technical result

2011 shows following development compared to 2010:

- Gross premiums written NOK 1.202m, up 19% from NOK 1.011m
- Net combined ratio 85.3%, down from 94.2%
- Return on investments -2.3%, down from 9.7%
- Operating profit of NOK 82.9m, down from NOK 222m

The Board proposes no dividend for 2011.

### Financial highlights and key ratios

| [1,000 NOK]  | Q4 2011           | Q4 2010        | YTD 2011      | YTD 2010       |
|--|-------------------|----------------|---------------|----------------|
| Gross premiums written                                   | 179 459           | 162 560        | 1 202 479     | 1 010 991      |
| Gross premiums earned                                    | 300 133           | 267 670        | 1 176 965     | 987 716        |
| Gross claims incurred                                    | (203 360)         | (222 371)      | (839 243)     | (755 685)      |
| Earned premiums, net of reinsurance                      | 229 464           | 217 020        | 903 478       | 792 342        |
| Claims incurred, net of reinsurance                      | (165 836)         | (177 408)      | (670 290)     | (620 404)      |
| Net commission income                                    | 8 384             | (11 824)       | 50 527        | 23 896         |
| Operating expenses                                       | (41 959)          | (41 953)       | (151 094)     | (149 772)      |
| Other income/costs                                       | 797               | (2 281)        | 1 702         | (247)          |
| Net financial income                                     | 48 020            | 107 410        | (51 388)      | 176 184        |
| <b>Operating profit before security provision etc</b>    | <b>78 870</b>     | <b>90 964</b>  | <b>82 935</b> | <b>221 999</b> |
| Claims ratio, net of ceded business                      | (1) 72,3 %        | 81,7 %         | 74,2 %        | 78,3 %         |
| Cost ratio, net of ceded business                        | (2) 14,6 %        | 24,8 %         | 11,1 %        | 15,9 %         |
| <b>Combined ratio, net of ceded business</b>             | <b>(3) 86,9 %</b> | <b>106,5 %</b> | <b>85,3 %</b> | <b>94,2 %</b>  |
| Retention rate   | (4) 76,5 %        | 81,1 %         | 76,8 %        | 80,2 %         |
| Solvency capital   | (5)               |                | 741 288       | 822 817        |
| Capital adequacy ratio (risk weighted)                   | (6)               |                | 19 %          | 20 %           |
| Operating profit before security provision etc per share | (7) 0,96          | 1,10           | 1,00          | 2,69           |

(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

### Protector's operations

Protector Forsikring ASA is a general insurance company (P&C) operating primarily in Norway. The company has two business areas: commercial and public lines of business, and affinity arrangements for private and commercial clients. Protector is listed on the Oslo Stock Exchange.

Protector entered the Swedish municipality market 1 January 2011. End of Q4, 10% of Protector's total municipality business, came from Sweden.

### Premiums

In 2011 gross premiums written increased by 19% to a total of NOK 1.202m. Gross premiums written within the commercial and public sector totalled NOK 651.1m, a 24% growth from 2010. The growth is due to a high level of new sales in the commercial market. Within the public sector in Norway, the company

experienced a 4% decline in gross premiums written. The competition in the Norwegian municipality sector is strong with a continued rate pressure. In Sweden the company had at year end 15 municipalities on the customer list. The gross premium written in Sweden totalled NOK 21.8m.

In the affinity segment, gross premiums written amounted to NOK 551.4m, a 13% growth compared to 2010. The growth is driven by a strong growth within change of ownership insurance. Gross premiums written within change of ownership insurance totalled NOK 400m, up 20% from 2010. The volume growth is mainly driven by increased real estate prices and a higher real estate turnover rate. In 2011, the company experienced an all time high hit-ratio of 80%. The decline in premium volume within other affinity business is mainly due to profitability actions taken in 2010 with effect in 2011.

Gross premiums earned increased by NOK 189.2m to a total of NOK 1.177m. Premiums earned for own account totalled NOK 903.5m, an increase of 14 % compared to 2010. The retention rate is decreasing due to strong growth within the reinsured business. In 2011 the retention rate was 76.8% down from 80.2% in 2010. The retention rate is expected to increase slightly in 2012.

In Q4 2011, gross premiums written totalled NOK 179.5m, a 10% growth compared to Q4 2010. Gross premiums written within the commercial/public sector totalled NOK 50.5m against NOK 45.2m in Q4 2010. Within the affinity segment, gross premiums written totalled NOK 128.9m, a 10% growth compared to Q4 2010. Premiums earned for own account totalled NOK 229.5m against NOK 217m in Q4 2010.

## Results

In 2011, the operating profit was NOK 82.9m, compared to NOK 222m in 2010. The return on the company's average solvency capital was 11% compared to 29% in 2010. The decline in operating result is due to a weak investment result.

In Q4 2011, the operating result was NOK 78.9m, compared to NOK 91m in Q4 2010. The Q4 result is driven by a strong technical result and a more normalized return on investments.

In 2011, the combined ratio net was 85.3%, compared to 94.2% in 2010. Net run-off gains amounted to NOK 21.8m against NOK 16.4m in losses in 2010. Net claims ratio was 74.2%, down from 78.3 %. New regulations requiring provisions for indirect claims settlement costs increased the claims incurred by NOK 16m in 2011. Without the indirect claims settlement costs the net claims ratio would have been 72.5% (and 76.8% in 2010).

Gross cost ratio was 15.0%, against 17.9% in 2010. The administration costs in nominal value are at the same level as in 2010. Scalability and reduced manning within the commercial segment are driving the cost ratio downwards. Within change of ownership insurance, the manning in the claims handling department is increasing due to increased focus on quality and reduced claims costs.

The combined ratio net was in Q4 86.9%, 19.6 percentage points lower than the 106.5% reported in the year-earlier period. The gross cost ratio was 15.3% against 21.9% in Q4 2010. The reasons are lower commissions and scalability and lower manning within the commercial and public lines of business. The net claims ratio was 72.3% against 81.7% in Q4 2010. Adjusted for the provisions for indirect claims settlement costs, the net claims ratio in Q4 2011 would have been 70.5%. Net run-off gains amounted to NOK 24.9m against run-off losses of NOK 10.6m in Q4 2010. Claims incurred in Q4 were affected by natural disaster claims totalling NOK 13m in connection with the hurricanes Berit in November and Dagmar in December.

Within the commercial and public sector, the technical result in Q4 and in the full year is strong. Within the affinity segment, the technical result is acceptable both in Q4 and for the full year.

## Investment return

Year-to-date, investment activities yielded a net loss of NOK 51.4m (-2.3%) against a gain of NOK 176.2m (9.7%) in 2010. Equities accounted for a NOK 104m loss in aggregate, against a NOK 115.7m gain in 2010.

In the fourth quarter of 2011, the investment result amounted to a net profit of NOK 48m (2.2%) against a net profit of NOK 107.4m (5.6%) in the same period of 2010. Equities accounted for a NOK 29.9m gain against a NOK 92.4m gain in Q4 2010.

The investment portfolio amounted to a total of NOK 2.355m at 31 December. 17.8% of Protector's financial assets were invested in equities against 24.6% end of 2010. The decline is due to a decrease in the value of equities, and allocation of new capital to bonds.

#### Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2011 decreased by NOK 81.5m to NOK 741.3m. Dividend for the fiscal year 2010 has a NOK 123.9m negative effect on the solvency capital. The return on solvency capital was 11% in 2011 down from 29% in 2010 due to a weak investment income.

End of Q4 2011, the capital adequacy ratio was 19% against a minimum requirement of 8%.

Excess coverage above the required solvency margin capital amounted to NOK 278.3m by end of 2011, corresponding to 219% of the requirement.

The Board of Directors holds a mandate granted by Protector's AGM 27 April 2011 to purchase up to 8 615 560 own shares. The authorization is valid until the next AGM in 2012. End of Q4 2011, the company has a holding of 3 570 661 own shares, unchanged from year-end 2010.

The Board is by the AGM 27 April 2011 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2012. The aim is to simplify and speed up the process should it be necessary to expand the company's area of operation through acquisition against payment in shares or by otherwise increasing share capital by means of private placings.

In the dividend payment considerations for 2011 the Board has emphasized the strong growth and that the growth level is likely to continue. The Board has decided to propose for the Annual General Meeting that no dividends are paid out for the fiscal year 2011.

#### Prospects

The Board is satisfied with the company's growth and strong positive development in combined ratio. However the operating result is at the lower end due to a disappointing investment result.

The company expects continued strong growth in 2012 despite strong competition both in the commercial sector and public sector. The expected growth is based on a very good start in 2012, breakthrough in Sweden and Denmark, continued access to profitable business in Norway and expected market growth in the change of ownership insurance market (increased real-estate prices).

Already implemented and new profitability initiatives are expected to lead to continued strong profitability.

Oslo, February 28th 2012

*The Board of Directors of Protector Forsikring ASA*

## Income statement

| [1.000 NOK]   | Q4 2011          | Q4 2010          | YTD 2011         | YTD 2010         |
|---|------------------|------------------|------------------|------------------|
| <b>Premium income</b>   |                  |                  |                  |                  |
| Gross written premiums  | 179 459          | 162 560          | 1 202 479        | 1 010 991        |
| Ceded insurance premiums  | (25 017)         | (21 289)         | (272 868)        | (193 945)        |
| Change in provisions for unearned premiums                            | 120 674          | 105 110          | (25 514)         | (23 276)         |
| Change in reinsurers' share of provisions for unearned premiums       | (45 652)         | (29 361)         | (619)            | (1 429)          |
| <b>Earned premiums, net of reinsurance</b>                            | <b>229 464</b>   | <b>217 020</b>   | <b>903 478</b>   | <b>792 342</b>   |
| Allocated return on investment transferred from non-technical account | 9 402            | 8 624            | 42 456           | 34 989           |
| <b>Other income</b>   | <b>1 840</b>     | <b>1 066</b>     | <b>5 810</b>     | <b>3 681</b>     |
| <b>Claims incurred</b>  |                  |                  |                  |                  |
| Claims paid   | (138 123)        | (148 218)        | (537 633)        | (528 460)        |
| Reinsurers' share of paid claims                                      | 27 168           | 46 992           | 127 447          | 160 156          |
| Change in provisions for claims                                       | (65 237)         | (74 153)         | (301 610)        | (227 226)        |
| Change in reinsurers' share of claims provisions                      | 10 355           | (2 029)          | 41 506           | (24 874)         |
| <b>Claims incurred, net of reinsurance</b>                            | <b>(165 836)</b> | <b>(177 408)</b> | <b>(670 290)</b> | <b>(620 404)</b> |
| <b>Operating expenses</b>   |                  |                  |                  |                  |
| Sales costs   | (4 045)          | (16 607)         | (25 592)         | (26 579)         |
| Administration costs  | (41 959)         | (41 953)         | (151 094)        | (149 772)        |
| Commission from reinsurers  | 12 430           | 4 783            | 76 119           | 50 475           |
| <b>Total operating expenses, net of reinsurance</b>                   | <b>(33 575)</b>  | <b>(53 777)</b>  | <b>(100 567)</b> | <b>(125 876)</b> |
| <b>Other expenses</b>   | <b>(1 043)</b>   | <b>(3 347)</b>   | <b>(4 109)</b>   | <b>(3 928)</b>   |
| <b>Technical result before changes in security provision etc.</b>     | <b>40 252</b>    | <b>(7 822)</b>   | <b>176 779</b>   | <b>80 804</b>    |
| Changes in security provision etc.                                    | 2 981            | (59 215)         | (49 921)         | (92 207)         |
| <b>Technical result</b>   | <b>43 233</b>    | <b>(67 038)</b>  | <b>126 858</b>   | <b>(11 403)</b>  |
| Net income from financial assets                                      | 48 020           | 107 410          | (51 388)         | 176 184          |
| Allocated return on investment transferred to technical account       | (9 402)          | (8 624)          | (42 456)         | (34 989)         |
| <b>Non-technical result</b>   | <b>38 618</b>    | <b>98 786</b>    | <b>(93 844)</b>  | <b>141 195</b>   |
| <b>Profit before tax</b>  | <b>81 851</b>    | <b>31 748</b>    | <b>33 014</b>    | <b>129 791</b>   |
| Tax   | (19 991)         | 16 046           | (40 587)         | (1 352)          |
| <b>Profit before components of comprehensive income</b>               | <b>61 860</b>    | <b>47 795</b>    | <b>(7 573)</b>   | <b>128 439</b>   |
| <b>Profit for the period</b>  | <b>61 860</b>    | <b>47 795</b>    | <b>(7 573)</b>   | <b>128 439</b>   |
| Earnings per share  | 0,75             | 0,58             | (0,09)           | 1,56             |
| Earnings per share, diluted   | 0,75             | 0,56             | (0,09)           | 1,51             |

## Balance Sheet

| [1.000 NOK]   | 31.12.2011       | 31.12.2010       |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| <b>Intangible fixed assets</b>                              |                  |                  |
| Other intangible fixed assets                               | 9 720            | 9 554            |
| <b>Total intangible fixed assets</b>                        | <b>9 720</b>     | <b>9 554</b>     |
| <b>Financial assets</b>                                     |                  |                  |
| Financial assets at fair value through profit or loss       | 2 354 751        | 2 021 520        |
| <b>Total financial assets</b>                               | <b>2 354 751</b> | <b>2 021 520</b> |
| <b>Reinsurers share of gross technical provisions</b>       |                  |                  |
| Reinsurers share of gross premium provisions                | 56 334           | 44 229           |
| Reinsurers share of gross claims provisions                 | 156 207          | 114 701          |
| <b>Total reinsurers share of gross technical provisions</b> | <b>212 541</b>   | <b>158 931</b>   |
| <b>Receivables</b>  |                  |                  |
| Direct insurance receivables                                | 69 774           | 65 896           |
| <b>Total receivables</b>                                    | <b>69 774</b>    | <b>65 896</b>    |
| <b>Other assets</b>   |                  |                  |
| Tangible fixed assets                                       | 4 297            | 3 512            |
| Cash and bank deposits                                      | 112 685          | 99 924           |
| Deferred tax benefit  | 3 302            | 3 080            |
| <b>Total other assets</b>                                   | <b>120 284</b>   | <b>106 515</b>   |
| <b>Total prepaid expenses</b>                               | <b>32 735</b>    | <b>23 575</b>    |
| <b>Total assets</b>   | <b>2 799 804</b> | <b>2 385 990</b> |
| <b>Equity and liabilities</b>                               |                  |                  |
| <b>Shareholders' equity</b>                                 |                  |                  |
| Share capital [86.155.605 shares]                           | 86 156           | 86 156           |
| Own shares  | (3 571)          | (3 571)          |
| Other paid-in equity  | 4 847            | 4 847            |
| <b>Total paid-in equity</b>                                 | <b>87 432</b>    | <b>87 432</b>    |
| <b>Earned equity</b>  |                  |                  |
| Technical provisions  | 76 074           | 79 782           |
| Other equity  | 221 014          | 348 757          |
| <b>Total earned equity</b>                                  | <b>297 088</b>   | <b>428 539</b>   |
| <b>Total equity</b>   | <b>384 520</b>   | <b>515 971</b>   |
| <b>Technical provisions</b>                                 |                  |                  |
| Provisions for unearned premiums                            | 174 631          | 149 117          |
| Provisions for claims                                       | 1 601 249        | 1 299 639        |
| Security provision etc.                                     | 356 767          | 306 846          |
| <b>Total technical provisions</b>                           | <b>2 132 647</b> | <b>1 755 602</b> |
| <b>Provisions for other risks and liabilities</b>           |                  |                  |
| Pension liabilities   | 9 787            | 8 388            |
| <b>Total provisions for other risks and liabilities</b>     | <b>9 787</b>     | <b>8 388</b>     |
| <b>Liabilities</b>  |                  |                  |
| Liabilities in connection with insurance                    | 12 163           | 7 277            |
| Liabilities in connection with reinsurance                  | 116 320          | 13 361           |
| Other liabilities   | 74 947           | 34 345           |
| <b>Total liabilities</b>                                    | <b>203 430</b>   | <b>54 982</b>    |
| <b>Incurred expenses and prepaid income</b>                 |                  |                  |
| Other incurred expenses and prepaid income                  | 69 420           | 51 047           |
| <b>Total incurred expenses and prepaid income</b>           | <b>69 420</b>    | <b>51 047</b>    |
| <b>Total equity and liabilities</b>                         | <b>2 799 804</b> | <b>2 385 990</b> |

## Cash flow statement

| [1.000 NOK]  | Q4 2011   | Q4 2010  | YTD 2011  | YTD 2010  |
|--|-----------|----------|-----------|-----------|
| Net cashflow from operational activities                 | 113 368   | 50 337   | 599 077   | 432 675   |
| Net invested in financial assets                         | (101 488) | (14 485) | (436 733) | (309 746) |
| Net cashflow from investment activities                  | (2 167)   | (13 071) | (7 718)   | (11 917)  |
| Net cashflow from financial activities                   | -         | 9 289    | (123 877) | (104 413) |
| Net change in cash and cash equivalents                  | 9 713     | 32 070   | 30 749    | 6 598     |
| Cash and cash equivalents at the beginning of the period | 136 249   | 83 143   | 115 213   | 108 615   |
| Cash and cash equivalents at the end of the period       | 145 962   | 115 213  | 145 962   | 115 213   |

## Reconciliation of equity

| [1.000 NOK]                     | Share Capital | Own shares | Other paid-in equity | Technical provisions | Other equity | Total     |
|---------------------------------|---------------|------------|----------------------|----------------------|--------------|-----------|
| Equity at 31.12.2009            | 86 156        | (3 349)    | 13 607               | 134 416              | 331 835      | 562 664   |
| Change in accounting principles |               |            |                      | (69 032)             | 10 674       | (58 359)  |
| Option cost, effect on equity   |               |            | 37                   |                      |              | 37        |
| Own shares, options struck      |               | 724        |                      |                      | 4 887        | 5 611     |
| Profit for the period           |               |            |                      | 7 213                | 37 882       | 45 095    |
| Change in accounting principles |               |            |                      | (2 615)              | 277          | (2 337)   |
| Equity at 31.03.2010            | 86 156        | (2 625)    | 13 644               | 69 982               | 385 555      | 552 710   |
| Option cost, effect on equity   |               |            | 37                   |                      |              | 37        |
| Dividend                        |               |            |                      |                      | (104 413)    | (104 413) |
| Profit for the period           |               |            |                      | 9 288                | (41 863)     | (32 575)  |
| Change in accounting principles |               |            |                      | (4 413)              | 1 621        | (2 792)   |
| Equity at 30.06.2010            | 86 156        | (2 625)    | 13 681               | 74 857               | 240 900      | 412 967   |
| Option cost, effect on equity   |               |            | 38                   |                      |              | 38        |
| Own shares, options struck      |               | 10         |                      |                      | 68           | 77,500    |
| Own Shares                      |               | (956)      |                      |                      | (8 334)      | (9 289)   |
| Profit for the period           |               |            |                      | 8 088                | 68 911       | 76 999    |
| Change in accounting principles |               |            |                      | (4 348)              | 602          | (3 746)   |
| Equity at 30.09.2010            | 86 156        | (3 571)    | 13 719               | 78 597               | 302 147      | 477 047   |
| Option cost, effect on equity   |               |            | 22                   |                      |              | 22        |
| Cancellation option scheme      |               |            | (8 893)              |                      |              | (8 893)   |
| Profit for the period           |               |            |                      | 5 800                | 46 257       | 52 057    |
| Change in accounting principles |               |            |                      | (4 616)              | 353          | (4 262)   |
| Equity at 31.12.2010            | 86 156        | (3 571)    | 4 847                | 79 782               | 348 757      | 515 971   |
| Profit for the period           |               |            |                      | 7 513                | 31 324       | 38 837    |
| Change in accounting principles |               |            |                      | (2 790)              | 9            | (2 781)   |
| Equity at 31.03.2011            | 86 156        | (3 571)    | 4 847                | 84 504               | 380 091      | 552 027   |
| Dividend                        |               |            |                      |                      | (123 877)    | (123 877) |
| Profit for the period           |               |            |                      | 3 947                | 164          | 4 110     |
| Change in accounting principles |               |            |                      | (3 343)              | (369)        | (3 711)   |
| Equity at 30.06.2011            | 86 156        | (3 571)    | 4 847                | 85 109               | 256 008      | 428 549   |
| Profit for the period           |               |            |                      | 7 821                | (108 020)    | (100 199) |
| Change in accounting principles |               |            |                      | (5 665)              | (24)         | (5 689)   |
| Equity at 30.09.2011            | 86 156        | (3 571)    | 4 847                | 87 265               | 147 964      | 322 660   |
| Profit for the period           |               |            |                      | (11 190)             | 73 051       | 61 860    |
| Equity at 31.12.2011            | 86 156        | (3 571)    | 4 847                | 76 074               | 221 014      | 384 520   |

## Quarterly outline

| [1.000 NOK]  | Q4 2011        | Q3 2011          | Q2 2011        | Q1 2011        | Q4 2010        | Q3 2010        | Q2 2010         | Q1 2010        |
|--|----------------|------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| <b>Gross premiums written</b>                                | <b>179 459</b> | <b>211 153</b>   | <b>289 149</b> | <b>522 718</b> | <b>162 560</b> | <b>189 250</b> | <b>231 267</b>  | <b>427 914</b> |
| Gross premiums earned  | 300 133        | 300 972          | 314 319        | 261 541        | 267 670        | 254 906        | 256 354         | 208 787        |
| Gross claims incurred  | (203 360)      | (222 862)        | (225 023)      | (187 999)      | (222 371)      | (189 749)      | (176 349)       | (167 216)      |
| Earned premiums, net of reinsurance                          | 229 464        | 232 204          | 242 272        | 199 538        | 217 020        | 205 620        | 204 611         | 165 090        |
| Claims incurred, net of reinsurance                          | (165 836)      | (171 233)        | (176 582)      | (156 638)      | (177 408)      | (151 839)      | (147 198)       | (143 958)      |
| Total operating expenses, net of reinsurance                 | (33 575)       | (33 315)         | (22 509)       | (11 168)       | (53 777)       | (36 293)       | (29 093)        | (6 714)        |
| Other income/costs   | 797            | 577              | (180)          | 508            | (2 281)        | 254            | 874             | 906            |
| Net income from financial assets                             | 48 020         | (110 190)        | (11 782)       | 22 563         | 107 410        | 68 133         | (38 718)        | 39 359         |
| <b>Operating profit before changes in security provision</b> | <b>78 870</b>  | <b>(81 958)</b>  | <b>31 220</b>  | <b>54 802</b>  | <b>90 964</b>  | <b>85 875</b>  | <b>(9 523)</b>  | <b>54 684</b>  |
| Changes in security provision etc.                           | 2 981          | (25 776)         | (20 061)       | (7 064)        | (59 215)       | (12 852)       | (13 023)        | (7 117)        |
| Profit before tax  | 81 851         | (107 734)        | 11 159         | 47 738         | 31 748         | 73 023         | (22 546)        | 47 567         |
| Tax  | (19 991)       | 1 845            | (10 760)       | (11 682)       | 16 046         | 231            | (12 820)        | (4 809)        |
| <b>Net profit/loss</b>                                       | <b>61 860</b>  | <b>(105 889)</b> | <b>399</b>     | <b>36 056</b>  | <b>47 795</b>  | <b>73 254</b>  | <b>(35 366)</b> | <b>42 757</b>  |
| <b>Key ratios</b>  |                |                  |                |                |                |                |                 |                |
| Claims ratio, net of ceded business                          | 72,3 %         | 73,7 %           | 72,9 %         | 78,5 %         | 81,7 %         | 73,8 %         | 71,9 %          | 87,2 %         |
| Cost ratio, net of ceded business                            | 14,6 %         | 14,3 %           | 9,3 %          | 5,6 %          | 24,8 %         | 17,7 %         | 14,2 %          | 4,1 %          |
| <b>Combined ratio, net of ceded business</b>                 | <b>86,9 %</b>  | <b>88,1 %</b>    | <b>82,2 %</b>  | <b>84,1 %</b>  | <b>106,5 %</b> | <b>91,5 %</b>  | <b>86,2 %</b>   | <b>91,3 %</b>  |
| Gross cost ratio   | 15,3 %         | 13,1 %           | 12,6 %         | 19,8 %         | 21,9 %         | 16,9 %         | 14,2 %          | 18,4 %         |

## Accounting principles

These interim accounts have been prepared in accordance with Norwegian accounting regulations for insurance companies and in line with the accounting principles described in the annual report for 2010, with the following amendments:

From 2011 the requirement for an administration provision, previously classified as equity, no longer exists. The effect of the change in regulations is that the line item administration provision (technical provisions) under earned equity no longer exists and the former administration provision is reclassified to other equity. Comparable figures for 2010 are restated. The implementation effect in the balance sheet at 1 January 2010 was a reduction in technical provisions (under earned equity) of NOK 69 million, an increase of other equity of NOK 49.7 million and an increase of deferred tax liabilities of NOK 19.3 million.

At the same time new regulations requiring insurance companies to provide for unallocated claims settlement costs are implemented. The new regulations imply a new accounting principle in relation to the measurement of claims provisions and the effect is recognized directly in equity. Comparable figures for 2010 are restated. The implementation effect in the balance sheet 1 January 2010 was a reduction in other equity of NOK 39 million and a decrease of deferred tax liabilities of NOK 15.2 million.

The implementation effect in the profit and loss statement 31.12.2010 was an increase in "change in provisions for claims" of NOK 12 million and an increase in tax of NOK 1.1 million. Comparable figures for profit after tax 2010 decreased by NOK 13.1 million from NOK 141.6 million to NOK 128.4 million.