



# PROTECTOR

forsikring

Preliminary year-end results 2011  
Investor presentation

29 February 2012

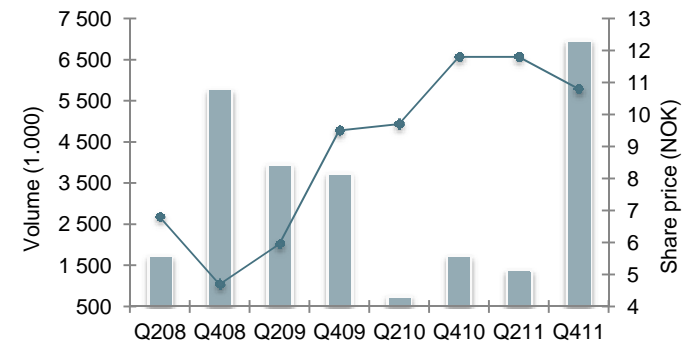
# Facts about Protector

- A focused non-life Norwegian insurance company
  - Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
  - Entered the Swedish market in 2011 and Denmark 1 Jan. 2012
  - Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, DnB NOR SMB, Nordea, employees etc.
  - Strong results, average combined ratio 2004 - 2011, 91%
  - GWP in 2011: MNOK 1.202
  - Solvency capital of MNOK 741, investment portfolio > 2.3bn.
  - Market cap. 28 Feb. 2012, MNOK 1.077
- 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

## Outlook 2012:

GWP + 18%  
CR ~ 88

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 2011

Poor financial results, -2,3%, but.....

....will be back in 2012? ROI approx 80 mill per Feb 27<sup>th</sup>. ROI average to peers 2007-2011

## Strong growth, strong combined ratio and Scandinavian startup

- Volume up 19 % No. 1 in Nordic market
  - Gross cost ratio down to 15.0% No. 1 in Nordic market in our segments
  - Net combined ratio 85.3% No. 1 in Nordic market
  - All time high on quality indexes Could be compared with anyone
  - Scandinavian startup Same targets and strategy as in Norway
- 
- Operating profit of NOK 82.9m, down from NOK 222m in 2010
  - Return on solvency capital 11%
  - No dividend proposed based on continued high premium growth

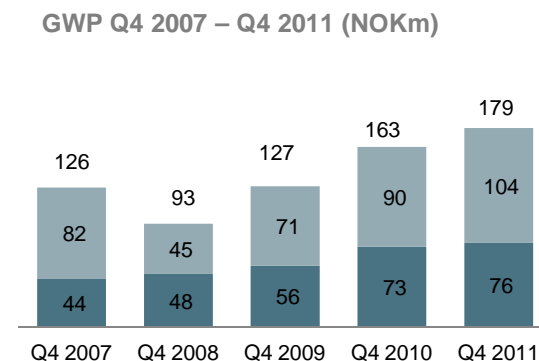
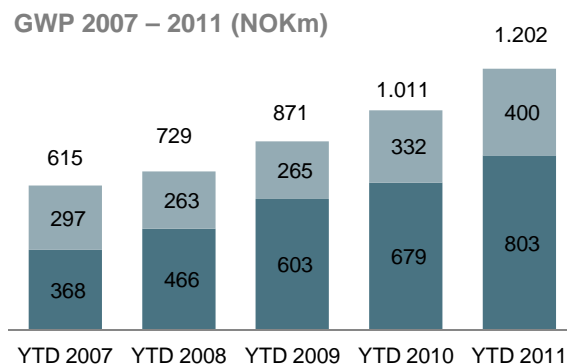
## 2012 guiding – continued profitable growth in N/S/DK

- 2012 volume guiding 18%
- Gross cost ratio < 13%
- 2012 Combined Ratio guiding 88%

# Gross written premium 2011

GWP up 19%, from NOK 1.011m to NOK 1.202m

- GWP up 18% within the commercial and public lines of business
  - Good renewal rate of 88% up from 85% in 2010
  - Strong new sales and good access to quotations
- Change of ownership insurance, 20% growth, driven by
  - Increased real estate prices and higher real estate turnover rate
  - Increased hit-ratio, all time high of 80%, unchanged market share



■ Change of ownership    ■ Commercial and public

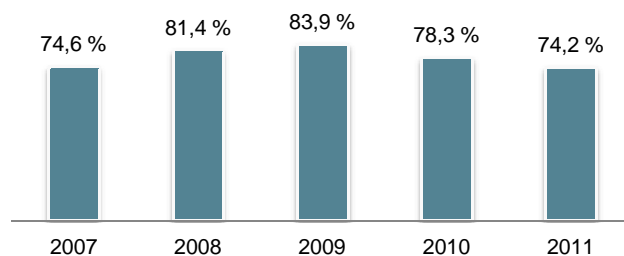
# Claims development 2011

Net claims ratio 74.2%, down from 78.3%

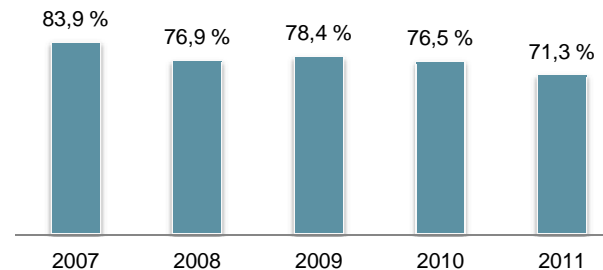
- including indirect claims settlement costs<sup>1</sup>

- No large claims (> NOK 5m) within the commercial and public sector (3 large claims in 2010)
  - Claims incurred in Q4 affected by natural disaster claims totalling NOK 13 mill (in connection with the hurricanes Berit in Nov and Dagmar in Dec)
- Indirect claims settlement costs, new regulations imply a new accounting principle in relation to the measurement of claims provisions
  - Net claims ratio ex. indirect claims settlement costs 72,5% (76.8% in 2010)
  - Gross claims ratio ex indirect claims settlement costs 70,0% (75.3% in 2010)
- Run-off-gains of NOK 21.6m
  - Some run-off gains in the commercial sector expected in the future because Protector's accounting is based on the FSA minimum requirements
- Gross claims ratio 71.3%, down from 76.5%

Net Claims ratio 2007 - 2011



Gross claims ratio 2007 - 2011



<sup>1</sup> Indirect claims settlement costs are the general expenses of running and administering a general insurance company's claims department

## Cost ratio 2011

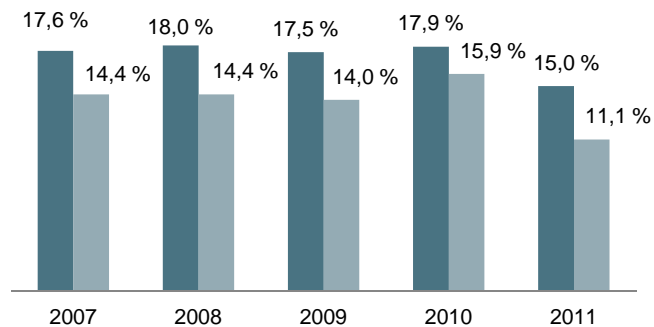
Gross cost ratio 15%, down from 17.9% in 2010

- Administration costs in nominal value at the same level as in 2010
- Scalability and reduced staff within commercial segment driving cost ratio down
- Cost ratio 2012 expected to continue down

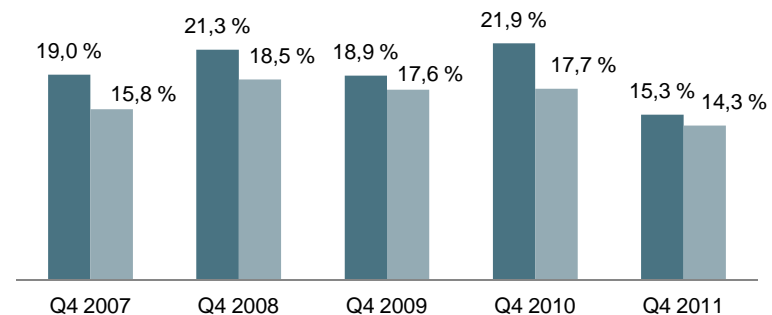
Net cost ratio 11.1%, down from 15.9% in 2010

- Still relative high level of quota share reinsurance contracts
- Unchanged reinsurance structure in 2012 leads to lower net cost ratio in 2012

Cost ratio 2007 - 2011



Cost ratio Q4 2007 – Q4 2011

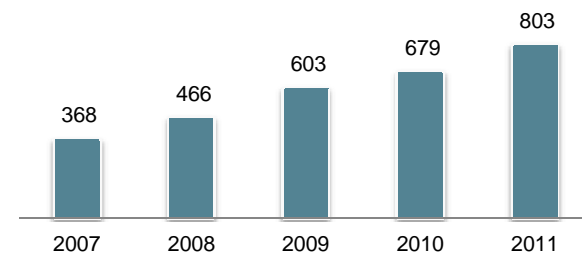


■ Gross cost ratio ■ Net cost ratio

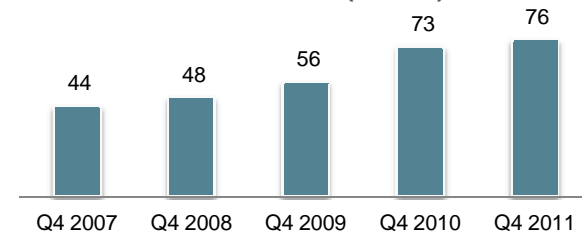
## Highlights 2011 - Commercial and public lines of business

- Volume up 18%
  - Strong competition in the Norwegian municipality sector, still rate pressure, 4% decline in Protector volume
  - Still fast growing in the commercial sector, 25%
    - 1 large none renewal in Q4 with a very high commission level
  - 1 large win and 1 none renewal in the municipality sector
  - 12 large wins and 1 none renewal in the commercial sector
  - 3 percentage points of the growth represented by Swedish business
  
- Personal lines of business, 65% of total volume
  - 24% growth
  - 9% decline other lines
  - Swedish and Danish business will reduce the personal business exposure
  
- Renewal rate of 88%, above target
  
- Net combined ratio approx 81%
  
- 2012 reinsurance renewed on comparable terms
  
- All time high relationship with leading brokers
  - Rated no. 1 fifth year in a row

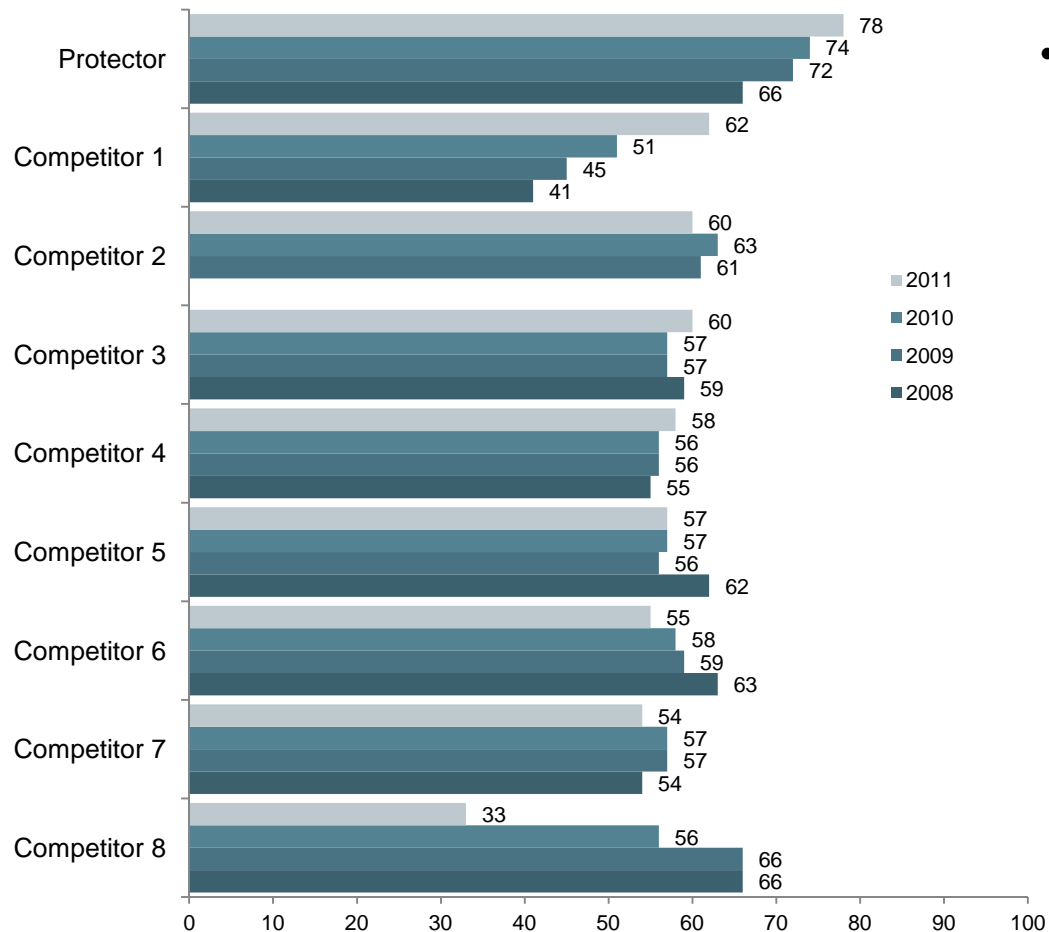
GWP 2007 – 2011 (NOKm)



GWP Q4 2007 – Q4 2011 (NOKm)



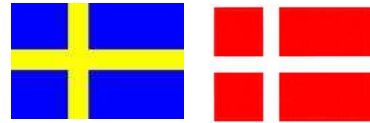
## Quality leader among Insurance Brokers



- Protector receives the highest score when brokers are asked to rank insurance companies according to how satisfied they are with their service and offerings



## Scandinavian startup



- Same Vision, Business Idea, Strategy and Values
- Initial project completed at minimal cost in Sweden (2010) and even lower costs in Denmark (2011). IT, products, processes and reinsurance in place.
- Start up team in Sweden in place, country manager from If Skadeförsäkring
- Recruitment in Denmark started
- Initial Focus Municipality sector,
- First commercial customers on board in Sweden
- Profitability in Sweden realistic target already in 2012
- 25 municipalities on the customer list per Jan 1<sup>st</sup> 2012 in Sweden
- 5 municipalities on board Jan 1<sup>st</sup> 2012 in Denmark
- Accumulated GWP in S/DK estimated to MNOK 100 during 2012
- Well received among Swedish and Danish leading Brokers
- Sweden and Denmark will support double digit growth on company level in 2013 and 2014

## Sweden – Customer base Jan 1<sup>st</sup> 2012

- Public lines of business, approx. 30 municipalities/ companies on the customer list
- Commercial, 11 companies on the customer list



Malmö



Karlskrona



Eskilstuna



## Denmark – Customer base Jan 1<sup>st</sup> 2012

- 5 out of 98 municipalities on the customer list
- Denmark's largest waste incineration plant in Aarhus, on the customer list



Billund



Esbjerg



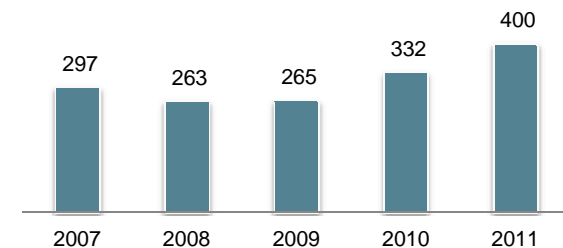
Aarhus



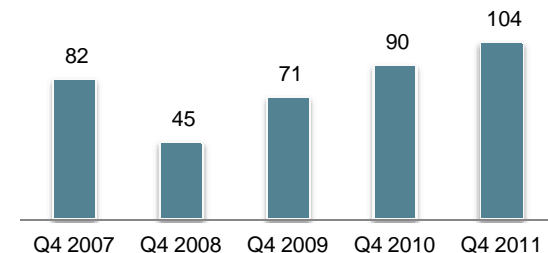
## Highlights 2011 - Change of ownership insurance

- Volume up 20%
  - Market share well above 50%
  - Hit-ratio on a historic high level, around 80%
  - Real estate prices up 9% in 2011 relative to 2010
  - 5-6% growth in the real-estate prices in 2012 expected
- Profitable in 2011
- Profitability measurers within claims handling on schedule
  - Recourse level increasing
  - Increased manning within claims handling
    - Increased quality and reduced claims costs
- Cost leadership
  - Cost ratio in 2011 20%, including claims handling costs
  - Estimated 6-8 percentage points lower than main competitors
- Number of lawsuits remains high, but stable
- All time high relation with the real estate brokers

GWP 2007 – 2011 (NOKm)

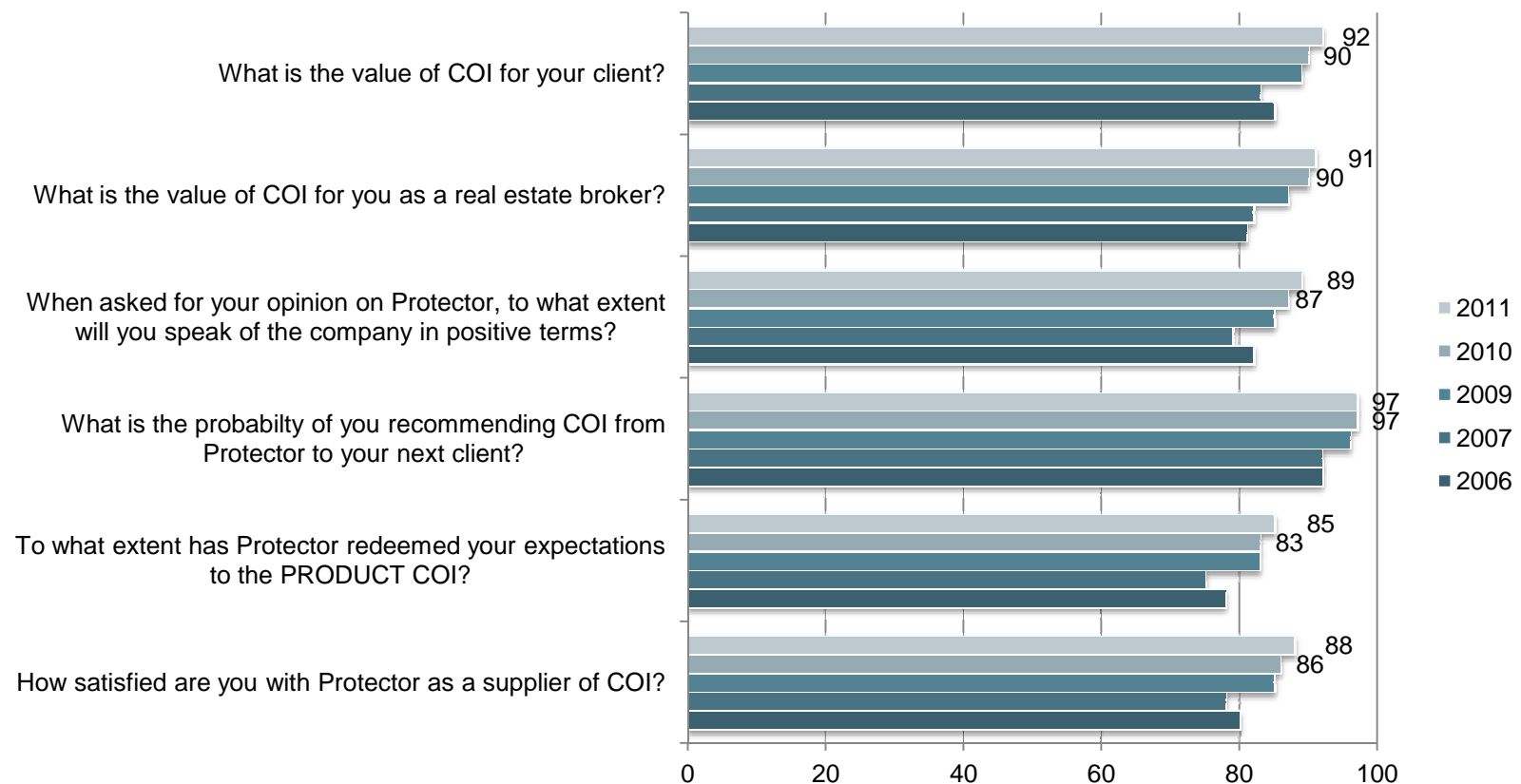


GWP Q4 2007 – Q4 2011 (NOKm)



## Evaluation of Protector among Real Estate Brokers

- All-time-high, 88%



# Results 2011

NOKm	Q4 2011	Q4 2010	YTD 2011	YTD 2010
<b>Premiums written gross</b>	<b>179,5</b>	<b>162,6</b>	<b>1 202,5</b>	<b>1 011,0</b>
Premiums earned gross	300,1	267,7	1 177,0	987,7
Claims incurred gross	(203,4)	(222,4)	(839,2)	(755,7)
Premiums earned for own account	229,5	217,0	903,5	792,3
Claims incurred for own account	(165,8)	(177,4)	(670,3)	(620,4)
Operating costs for own account	(33,6)	(53,8)	(100,6)	(125,9)
Other income/costs	0,8	(2,3)	1,7	(0,2)
Net financial income	48,0	107,4	(51,4)	176,2
<b>Profit before change in security provision etc.</b>	<b>78,9</b>	<b>91,0</b>	<b>82,9</b>	<b>222,0</b>
Change in security provision etc.	3,0	(59,2)	(49,9)	(92,2)
<b>Profit after change in security provision etc.</b>	<b>81,9</b>	<b>31,7</b>	<b>33,0</b>	<b>129,8</b>
Net claims ratio	72,3 %	81,7 %	74,2 %	78,3 %
Net cost ratio	14,6 %	24,8 %	11,1 %	15,9 %
<b>Net combined ratio</b>	<b>86,9 %</b>	<b>106,5 %</b>	<b>85,3 %</b>	<b>94,2 %</b>
Retention rate	76,5 %	81,1 %	76,8 %	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*

- 19% growth, net combined ratio 85.3%, net cost ratio 11.1% down from 15.9%

# Balance sheet 2011

NOKm	31.12.2011	31.12.2010
Financial assets	2 354,8	2 021,5
Bank deposits	112,7	99,9
Other assets	332,4	264,5
<b>Total assets</b>	<b>2 799,8</b>	<b>2 386,0</b>
Total equity	384,5	516,0
Total reserves	2 132,6	1 755,6
Other liabilities	282,6	114,4
<b>Total equity and liabilities</b>	<b>2 799,8</b>	<b>2 386,0</b>
Solvency capital	741,3	822,8
Return on solvency capital	11 %	28 %
Solvency capital per share, end of period	9,0	10,0
Solvency margin	80 %	101 %
Capital adequacy ratio (risk weighted)	19,2 %	20,0 %
NAV	641,4	736,9
NAV per share, end of period	7,8	8,9

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.*

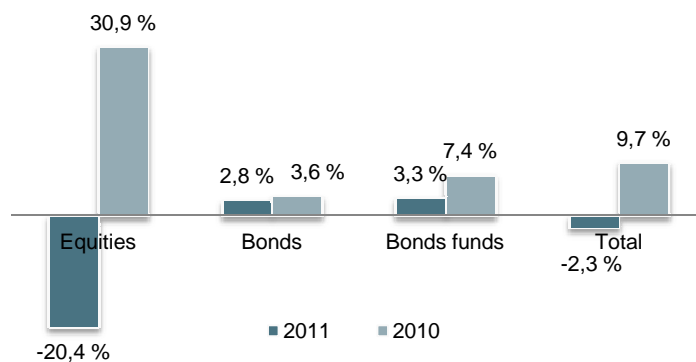
*No. of shares = total outstanding shares ex own shares*

- Return on solvency capital 11%
- 16% growth in investment portfolio
- New regulations (require provisions for indirect claims settlement costs, no requirement for administration provision) NOK 71,5m negative effect on equity in 2010.

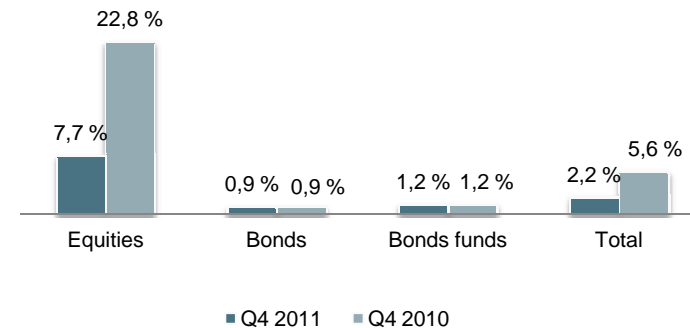
# Investment performance 2011

- Net investment result of NOK -51.4m, -2,3% return (NOK 176.2m, 9.7%)  
- NOK 48m in Q4 (NOK 107.4m)
- Equities, return of -20.4% (30.9%), OSEBX -12.5%, OSEFX -18.8%, in 2011  
- Return of 7.7% in Q4 (22.8%), OSEBX 10.5%, OSEFX 8,5%  
- Equities have in 2012 (per 27 February) increased by NOK 59m in value
- Bond portfolio, return of 3.0% (4.2%)  
- Risk exposure reduced
- Investment portfolio of NOK 2.355m (NOK 2.022m), 16% growth

Return on investments 2011

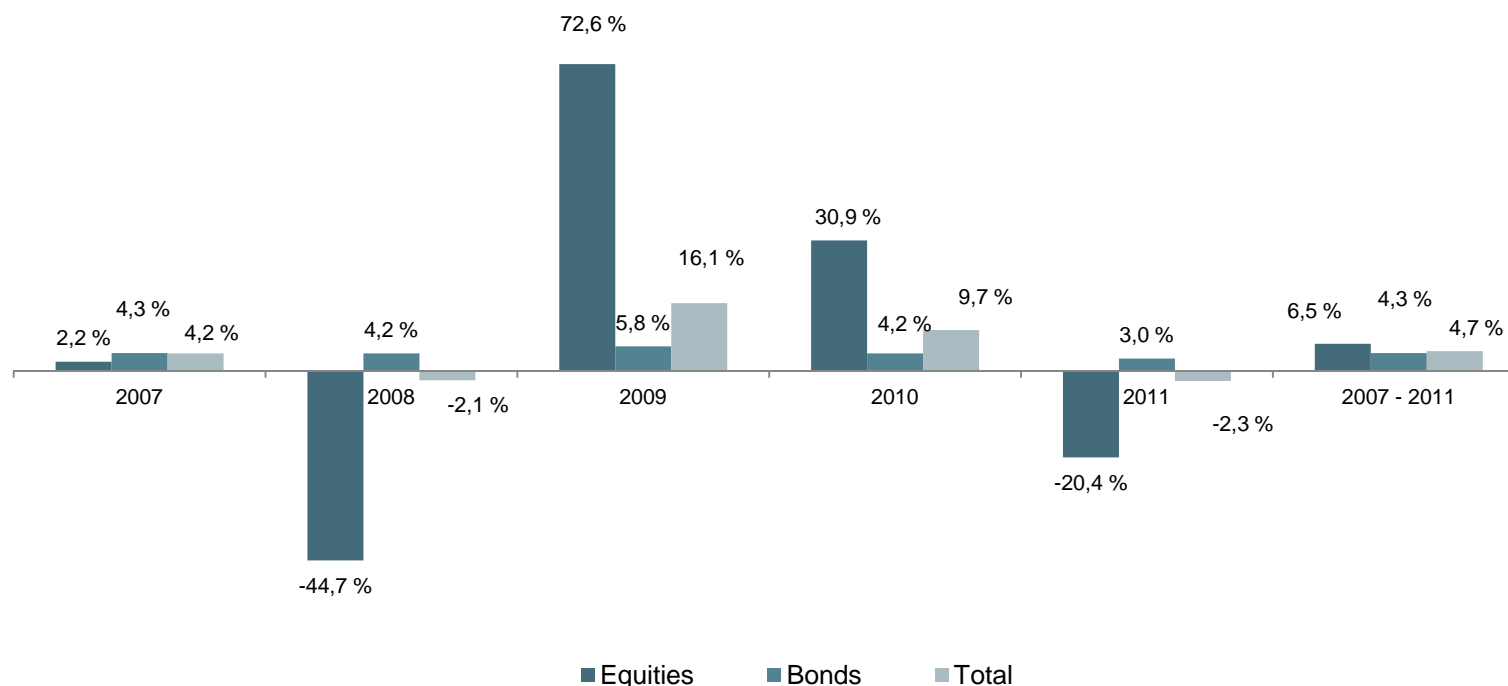


Return on investments Q4 2011





## Investment performance 2007 – 2011

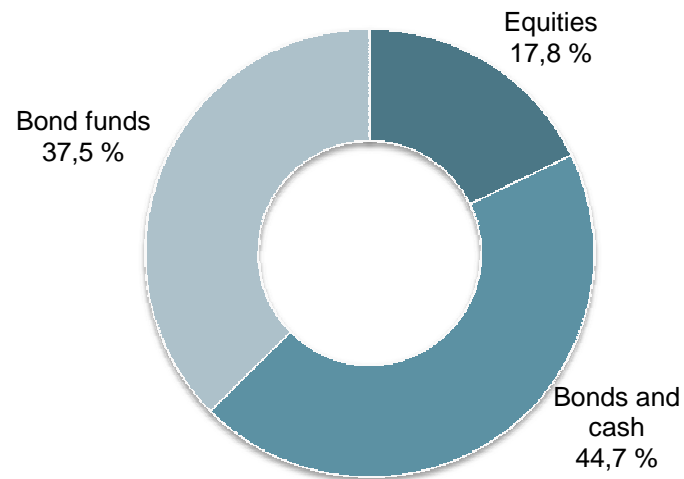


- Return on investments 2007 – 2011; 4,7% p.a. (equities 6,5% and bonds 4,3%)
  - Return on investments 2007 - 27 Feb 2012; 5,5% (equities 10,1%, bonds 4,4%)

# Asset allocation

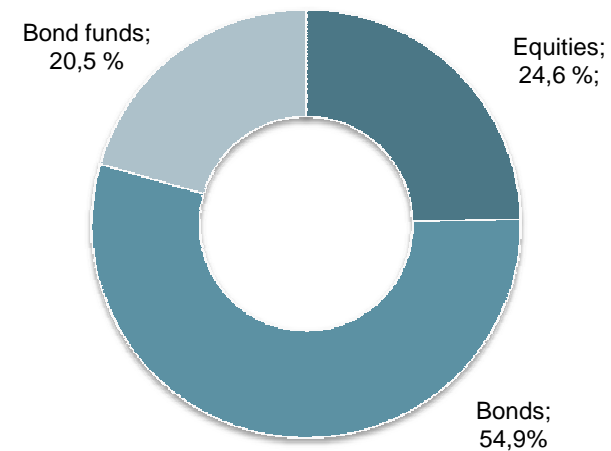
- Bonds 82.2% of portfolio, Norwegian equities 17.8%
- Allocation in equities reduced from 24.6% to 17.8%
  - Decline in value and new capital allocated to bonds

Allocation of investments 31.12.2011



Total financial assets; NOK 2.355m

Allocation of investments 31.12.2010

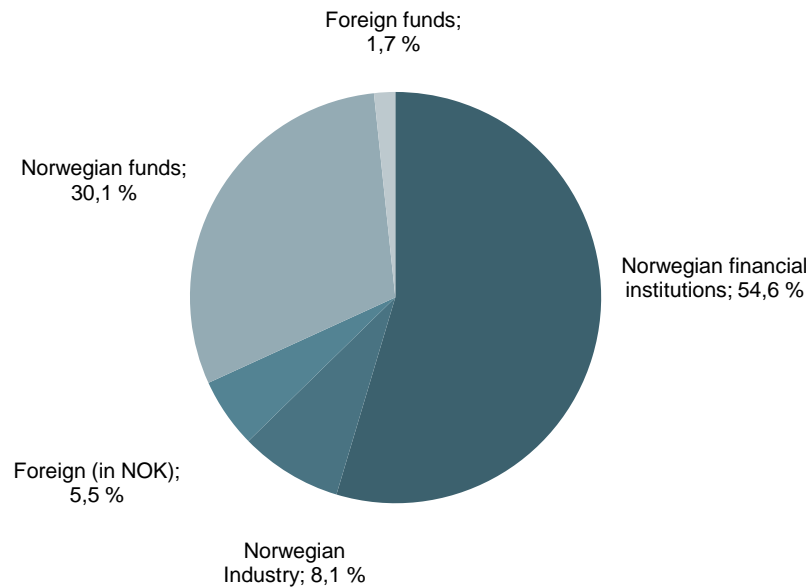


Total financial assets; NOK 2.022m

# Portfolio structure and quality bond portfolio

- Duration (credit) of bond portfolio is 2 years (2,2 years)  
-Interest duration 0,26 years, unchanged from 31.12.2010
- Reduced risk in funds
- No exposure to PIIGs

Bond portfolio 31 Dec 2011

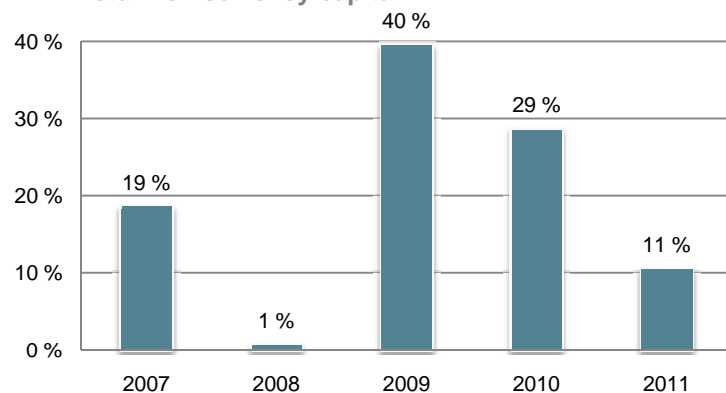


Quality bond portfolio 31 Dec 2011

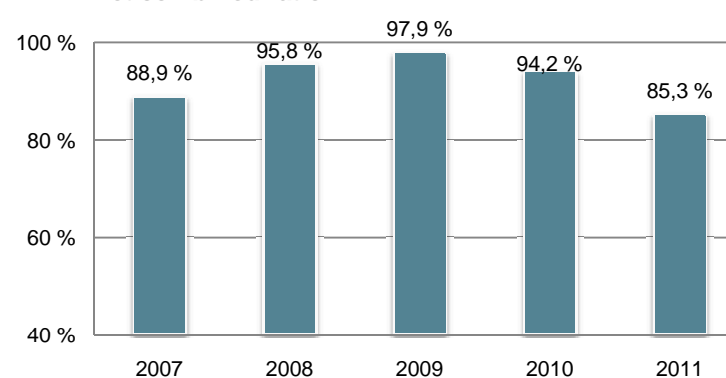
Split of fixed income portfolio	NOK mill	%
Bonds	1 020 236	53 %
Bond funds	882 267	46 %
Bank deposits	33 277	2 %
<b>Total</b>	<b>1 935 779</b>	<b>100 %</b>
<b>Rating including internal rating by Norwegian financial institutions</b>		
Investmentgrade	1 394 546	72 %
High yield	49 841	3 %
Non rated (funds)	491 392	25 %
<b>Total</b>	<b>1 935 779</b>	<b>100 %</b>

# Development in earnings and key ratios

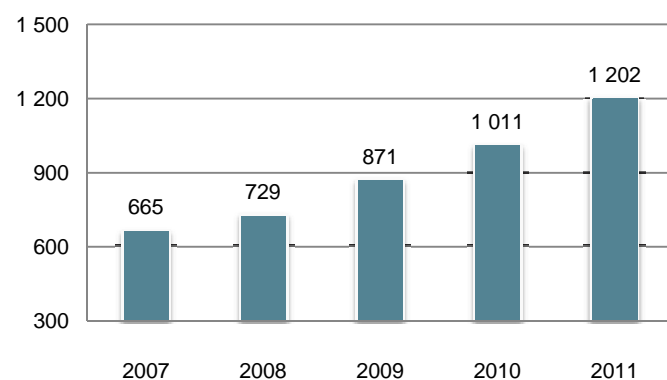
Return on solvency capital <sup>1</sup>



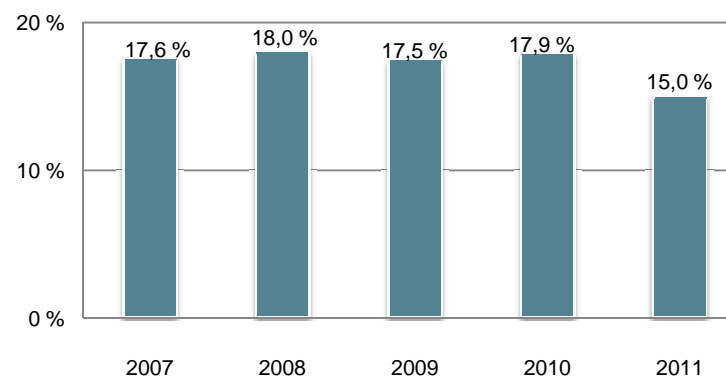
Net combined ratio<sup>1</sup>



Gross premiums written



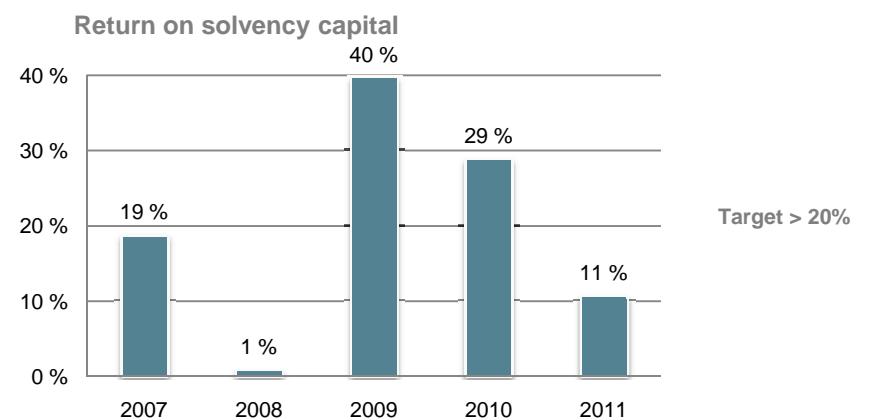
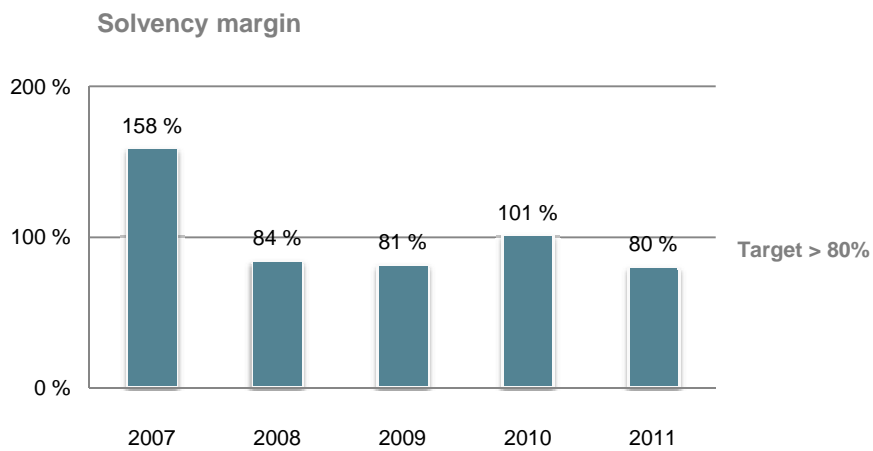
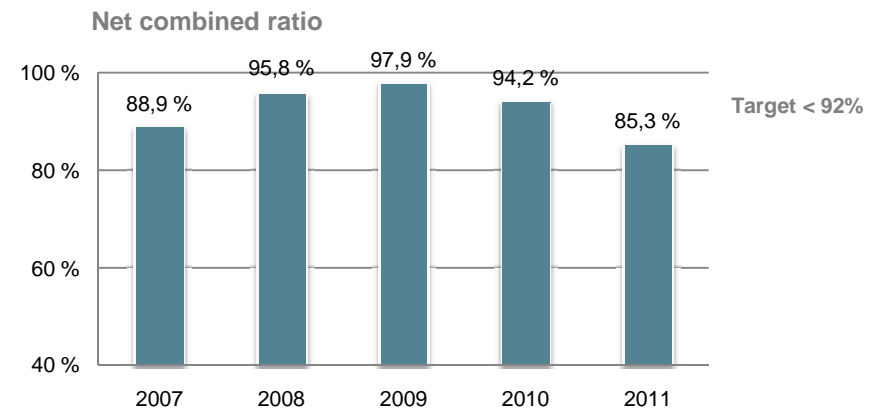
Gross cost ratio



<sup>1</sup> New regulations (2011) are requiring provisions for indirect claims settlement costs and no administration provision. Comparable figures for 2007 – 2010 are restated.

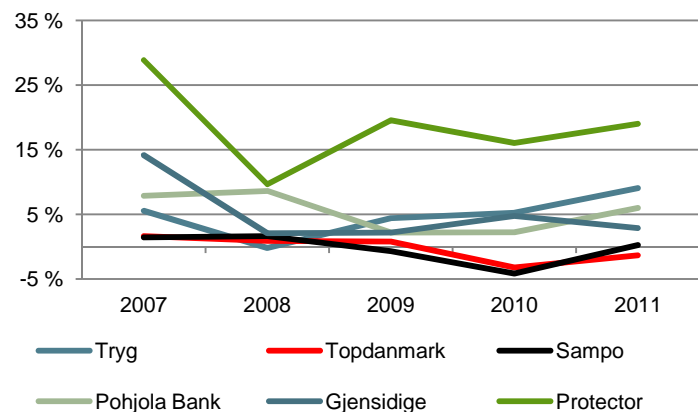
# Long term financial objectives

- Medium term GWP growth rate: 10%
- Net combined ratio: 92%
- Solvency margin: 80%
- Return on solvency capital: 20%

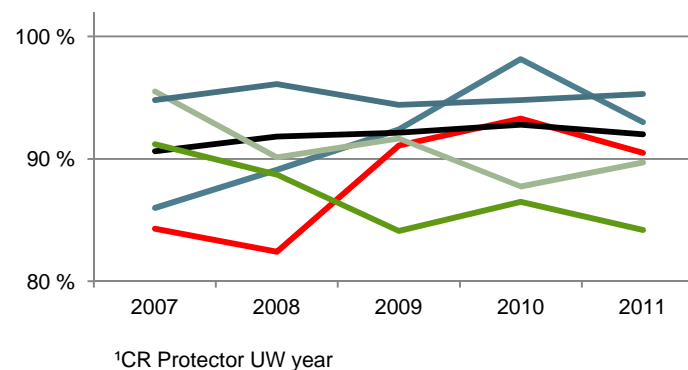


# Nordic peers

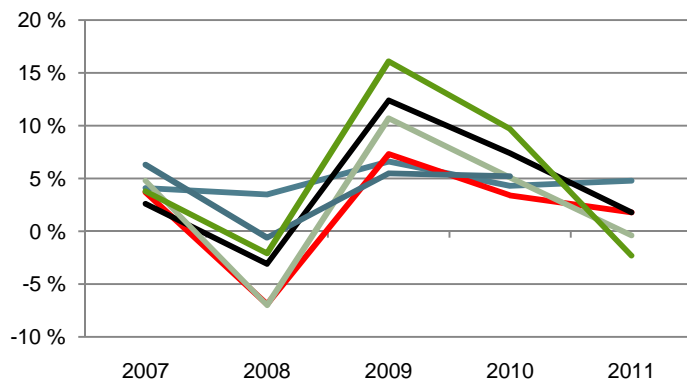
Premium growth



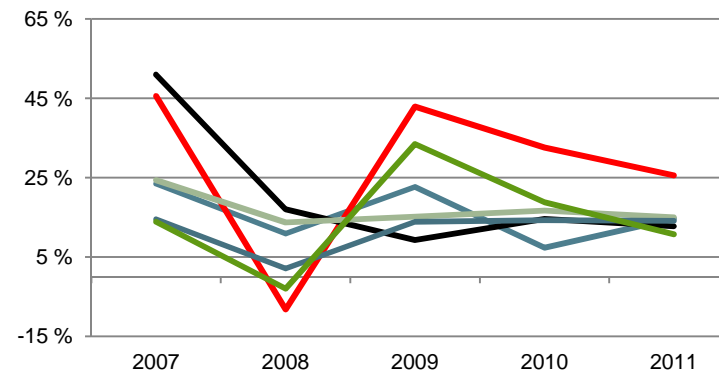
Combined ratio<sup>1</sup>



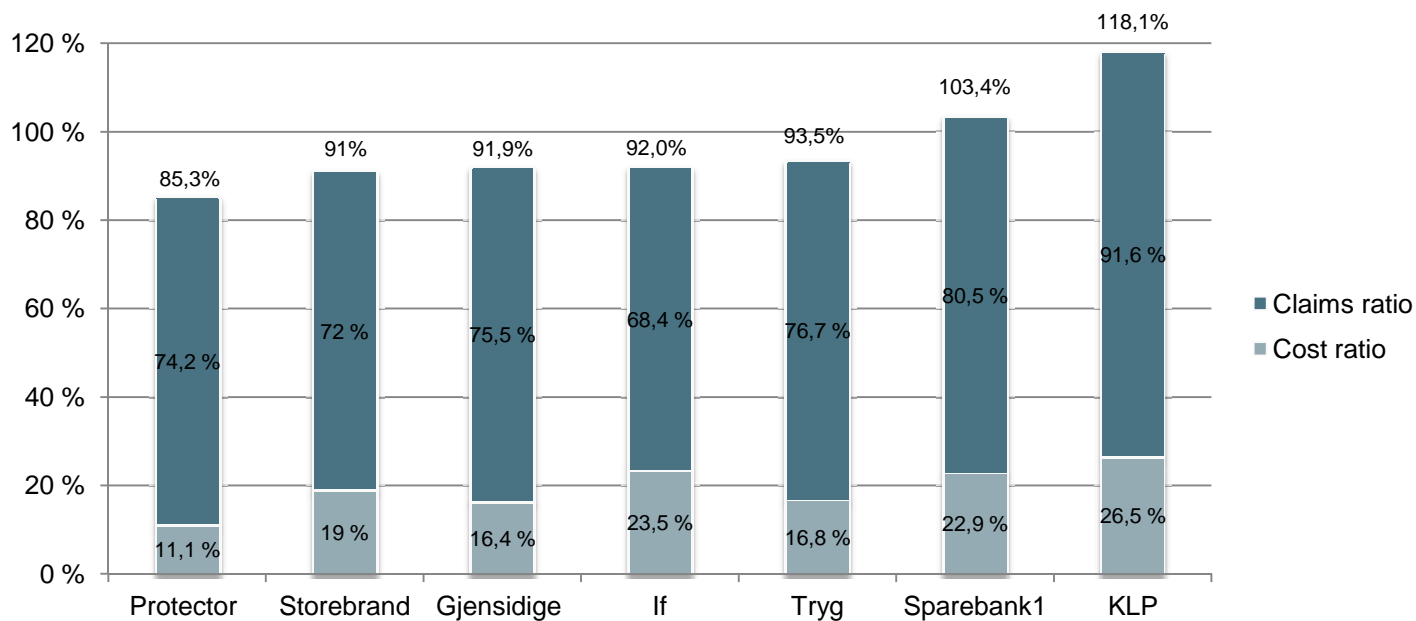
Return on investments (%)



RoNAV



## Peers - Combined ratio 2011



# Shareholders 22 February 2012

Shareholder	No. shares	Percent
ODIN NORDEN	7 264 555	8,43 %
MSF-MUTUAL FINANCIAL SERVICES FD	4 479 410	5,20 %
HANSARD EUROPE LTD	3 690 836	4,28 %
PROTECTOR FORSIKRING ASA	3 570 661	4,14 %
OJADA AS	3 563 116	4,14 %
ALFRED BERG GAMBAK VPF	3 401 642	3,95 %
DNB NOR SMB	2 968 837	3,45 %
VPF NORDEA NORGE VERDI	2 856 859	3,32 %
TJONGSFJORD INVEST AS <sup>1</sup>	2 661 809	3,09 %
GABLER RÅDGIVNING AS <sup>2</sup>	2 652 751	3,08 %
MP PENSJON PK	2 375 706	2,76 %
MORGAN STANLEY & CO INTERNAT. PLC	2 236 751	2,60 %
LETRA INVEST AS	1 873 451	2,17 %
FROGNES AS	1 649 916	1,92 %
ALFRED BERG NORGE +	1 644 030	1,91 %
JOHAN VINJE AS	1 437 841	1,67 %
TRAFALGAR AS	1 403 938	1,63 %
PETROSERVICE AS	1 343 815	1,56 %
NORDEA NORDIC SMALL CAP FUND	1 256 653	1,46 %
TROND HØYE	1 235 562	1,43 %
<b>TOTAL 20 LARGEST</b>	<b>53 568 139</b>	<b>62,18 %</b>
<b>OTHERS</b>	<b>32 587 466</b>	<b>37,82 %</b>
<b>TOTAL SHARES</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.761

<sup>1</sup> CEO Sverre Bjerkeli

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

## 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
- 42 employees own directly a total of 9.2 m shares or 10.7% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,1% of current outstanding shares



# Outlook 2012

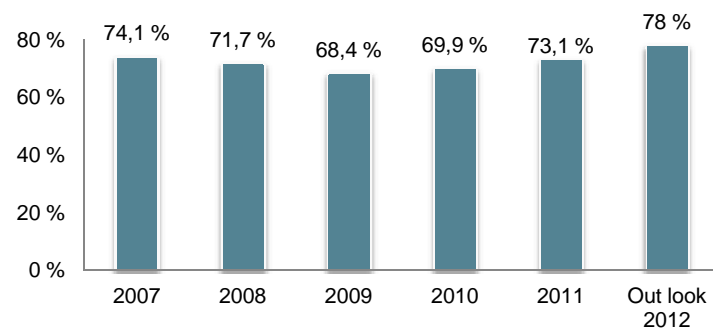
- Volume up 18% (19% in 2011)
  - + January 1<sup>st</sup> volume on a strong level
  - + Startup in Scandinavia
  - + Strong real estate market
  - Rate pressure in the commercial and public sector
- Net claims ratio 78% (74,2% in 2011)
  - + Good start in 2012
  - + Improved portfolio quality
  - + Real-estate prices up 5-6% (increased premium per policy higher than claims inflation)
  - + Profitability measurers change of ownership insurance on schedule
  - Rate pressure in commercial and public sector
  - Entering new markets (Sweden, Denmark)
- Gross cost ratio 13% (15% in 2011)
  - + Volume growth and scalability
  - Slightly increased manning
- Net cost ratio 10% (11.1% in 2011)
  - + Volume growth and scalability
  - + Unchanged reinsurance structure, improve net cost ratio
  - Slightly increased manning

## CEO Summary, Outlook 2012

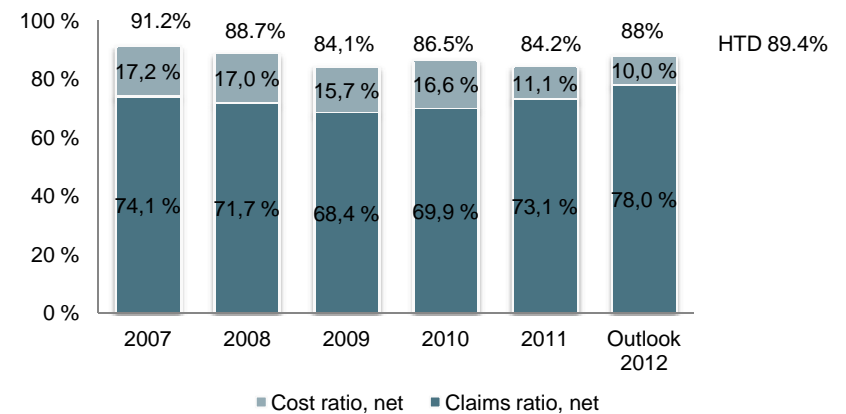
	Risk
+ Volume significant up in commercial & public sector	Low
+ Sweden and Denmark support growth	No
+ Volume significant up in Change of Ownership sector	Low
+ Balance sheet growing leads to increased financial income	Low
+ Cost ratio Gross & Net going down	No
+ Price inflation higher than claims inflation Change of Ownership	Low
- Rate pressure driving claims ratio upwards	Medium
- One or two negative surprises will occur	Medium

# Key figures, UW year<sup>1</sup>

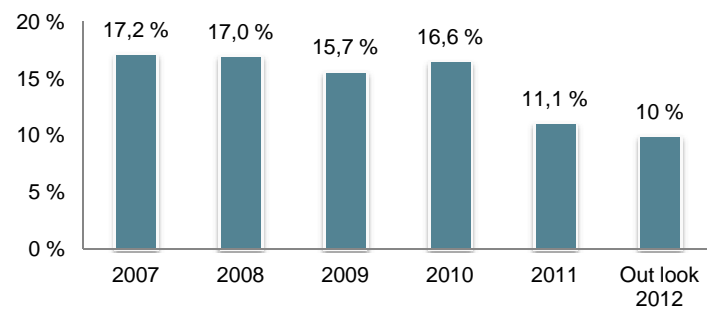
Net claims ratio, UW-year – Outlook 2012



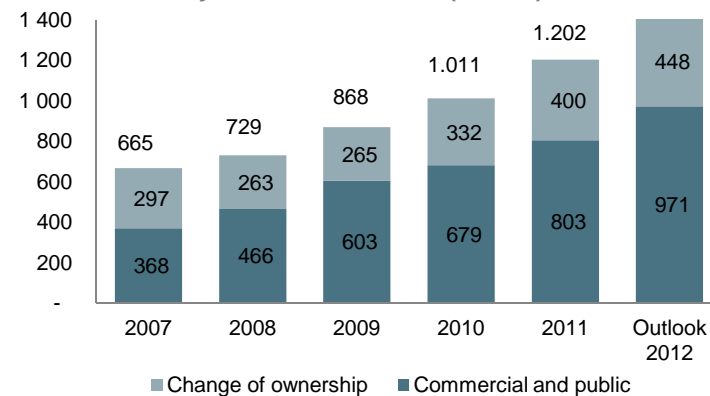
Net combined ratio UW-year – Outlook 2012



Net cost ratio, UW-year – Outlook 2012



GWP UW-year – Outlook 2012 (NOKm)



<sup>1</sup> Indirect claims settlement costs, not incorporated in the figures

## Outlook 2012

NOKm	Res 2011	Outlook 2012
Premium growth (%)	19	18
Operating profit	83	250
Investment Income	-51.4	125
Gross cost ratio (%)	15	13
Net combined ratio (%)	85.3	88
Return on solvency (%)	11	29

**Return assumptions 2012:**

Equity allocation approx. 15%

New capital allocated to bonds. Equity allocation reduced.

Return equities: 8% p.a.

Return bonds: 4% p.a.

Average invested capital: NOK 2.700m

- Strong Q1 2012 expected

# Summary 2011 and Outlook 2012

Poor financial results in 2011, -2,3%, but...

...Strong growth, strong combined ratio and Scandinavian startup

- Volume up 19 % No. 1 in Nordic market
  - Gross cost ratio down to 15.0% No. 1 in Nordic market in our segments
  - Net combined ratio 85.3% No. 1 in Nordic market
  - All time high on quality indexes Could be compared with anyone
  - Scandinavian startup Same targets and strategy as in Norway
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- Operating profit of NOK 82.9m, down from NOK 222m in 2010
  - Return on solvency capital 11%
  - No dividend proposed based on continued high premium growth

...2012 guiding – continued profitable growth in N/S/DK

- 2012 volume guiding 18%
- Gross cost ratio < 13%
- 2012 Combined Ratio guiding 88%