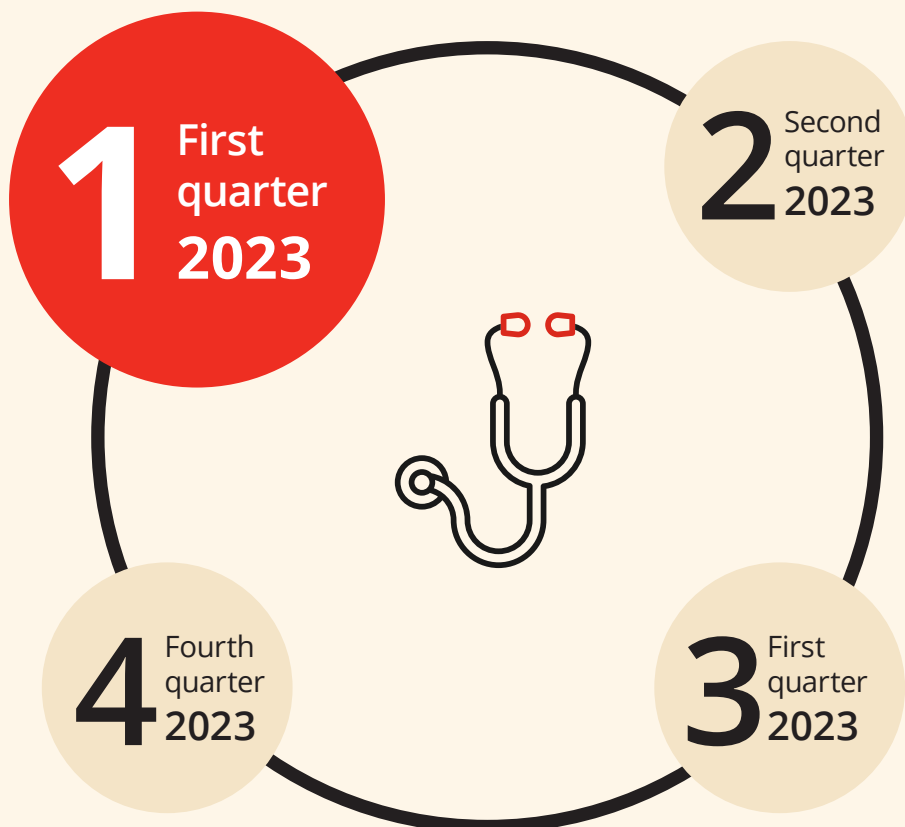


Interim report

Storebrand Helseforsikring AS (unaudited)



Interim Report Storebrand Helseforsikring AS

As at 31 March 2023

Pre tax profit is minus NOK 52.4 million (NOK minus 19.2 million) in the 1st quarter. The weak result is due to high claims costs in both Norway and Sweden.

Premiums earned totaled NOK 286.7 million (NOK 247.3 million) in 1st quarter, an increase of 16 percent from the same period in 2022. The demand for medical expense insurance in the market remains high and Storebrand Health is one of the market leaders in Norway in terms of written premiums. This type of employee benefits is increasing in popularity among the employees.

Cost of claims amounted to NOK 292.4 million (NOK 223.8 million) in the 1st quarter. High claims costs in the quarter are due to the development in the Group Business in both Norway and Sweden. The claims ratio is up from 90 percent in 2022 to 102 percent this year. The Covid-19 pandemic seems to have had some impact on the level of the claims and how fast claims are reported. This makes earlier experience less useful, and therefore increases the uncertainty in the claims reserve.

Insurance-related operating costs was NOK 47.6 million (NOK 42.9 million). The cost increase is mainly caused by increased business volume. The net cost ratio for own account ended up at 17 percent, the same as in 1st quarter last year.

The company has a conservative investment strategy, and the investment portfolio has low credit risk and short interest duration, with all of the investment portfolio invested in one of Storebrand's bond funds. The financial return in 1st quarter was minus 0.90 percent (-0.18 per cent).

Currency fluctuations resulted in a total currency gain/loss including the effects of currency derivatives of NOK minus 4.3 million (NOK 0.8 million) in the 1st quarter.

The net non-technical result amounted to NOK 0.6 million (NOK 0.1 million) in 1st quarter.

Solvency margin should be above 100 percent and was 111 per cent at 31.03.2023. At year-end 2022 the solvency margin was 146 percent. An action plan to strengthen solvency will be implemented.

Lysaker, 9 May 2023

Board of directors Storebrand Helseforsikring AS

Storebrand Helseforsikring AS

Statement of comprehensive income

NOK thousand	01.01.-31.03		Full year
	2023	2022	2022
TECHNICAL ACCOUNTS			
PREMIUMS			
Gross premiums earned	287,503	247,980	1,057,369
- Reinsurers' share	-779	-716	-2,902
Premium income for own account	286,724	247,264	1,054,467
Other insurance related income	69	110	354
CLAIMS EXPENSES			
Incurred claims gross	-292,843	-224,179	-883,033
- Reinsurers' share	487	393	952
Claims expenses for own account	-292,355	-223,786	-882,081
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses	-18,188	-17,361	-69,103
Insurance related administration expenses (incl. commissions for reinsurance received)	-29,369	-25,519	-110,992
Insurance related operating expenses	-47,557	-42,880	-180,095
Other insurance related operating costs			
Technical profit	-53,120	-19,291	-7,355
NON-TECHNICAL ACCOUNTS			
NET INCOME FROM FINANCIAL ASSETS			
Interest and dividend etc from financial assets	1	-29	6,635
Change in value on investments	8,511	-1,353	-906
Realised gain and loss on investments	1,012	-2,493	-3,251
Net income from investments	9,524	-3,875	2,478
Other income	437	3,959	3,003
Other expenses	-9,337		-782
Non-technical profit	624	84	4,699
Pre tax profit	-52,496	-19,207	-2,656
Tax	13,124	4,802	1,053
Profit/loss for the year	-39,372	-14,405	-1,603
OTHER COMPREHENSIVE INCOME ELEMENTS AND EXPENSES NOT TO BE CLASSIFIED TO PROFIT/LOSS			
Change in actuarial assumptions			-36
Tax on other comprehensive income and expenses not to be classified to profit/loss			9
Comprehensive income	-39,372	-14,405	-1,630

Storebrand Helseforsikring AS

Statement of financial position

NOK thousand	31.03 2023	31.12 2022
ASSETS		
Intangible assets	96,086	101,234
Total intangible assets	96,086	101,234
FAIR VALUE FINANCIAL INVESTMENTS		
Bonds and other securities - fixed yield	531,672	467,219
Financial derivatives	4,054	
Total fair value financial instruments	535,726	467,219
RECEIVABLES		
Receivables in connection with direct business transactions		
- Due from policyholders	384,859	269,055
Other receivables	15,096	10,444
Total receivables	399,955	279,498
OTHER ASSETS		
Cash and bank equivalents	21,930	28,109
Deferred tax assets	6,307	
Pension assets	38	38
Total other assets	28,276	28,148
Prepaid costs and income earned not received	1,463	4,779
Total prepaid costs and income earned not received	1,463	4,779
Total assets	1,061,506	880,878

Storebrand Helseforsikring AS

Statement of financial position cont.

NOK thousand	31.03 2023	31.12 2022
EQUITY AND LIABILITIES		
PAID IN CAPITAL		
Share capital	33,000	33,000
Share premium reserve	122,000	122,000
Total paid in capital	155,000	155,000
EARNED EQUITY		
Allocation to guarantee scheme	20,519	19,770
Other earned equity	94,224	134,345
Total earned equity	114,744	154,115
GROSS INSURANCE LIABILITIES		
Reserve for unearned premiums gross	588,034	395,920
Claims reserve gross	141,453	110,851
Total insurance liabilities gross	729,487	506,771
RESERVES FOR LIABILITIES		
Period tax liabilities		780
Deferred tax		6,817
Total reserves for liabilities	-	7,598
LIABILITIES		
Liabilities in connection with direct insurance	42,542	34,738
Financial derivatives		4
Liabilities to related parties	762	499
Other liabilities	6,950	12,076
Total liabilities	50,254	47,317
Accrued expenses and received, unearned income	12,021	10,077
Total accrued expenses and received, unearned income	12,021	10,077
Total equity and liabilities	1,061,506	880,878

Storebrand Helseforsikring AS

Statement of change in equity

NOK thousand	Share capital	Share premi- um reserve	Total paid in capital	Guarantee scheme	Other equity	Total earned equity	Total equity
Equity 01.01.22	33,000	122,000	155,000	17,191	138,554	155,745	310,745
Profit					-1,603	-1,603	-1,603
Change in guarantee scheme				2,579	-2,579	0	0
Change in actuarial assumptions					-36	-36	-36
Tax on other comprehensive income and expenses					9	9	9
Equity 31.12.22	33,000	122,000	155,000	19,770	134,345	154,115	309,115
Profit					-39,372	-39,372	-39,372
Change in guarantee scheme				749	-749	0	0
Equity 31.03.23	33,000	122,000	155,000	20,519	94,224	114,744	269,744

Storebrand Helseforsikring AS

Statement of cash flow 1. January - 31. Mars

NOK thousand	2023	2022
Cash flows from operations		
Net receipts - insurance	370,837	273,465
Net payments/claims insurance	-261,753	-187,550
Payment of income tax	-780	-5,011
Payments relating to operations	-54,365	-22,015
Net cash flow from operations before financial assets	53,939	58,889
Net receipts/payments - financial assets		3,539
Net cash flow from financial assets	-58,988	3,539
Net cash flow from operations	-5,049	62,428
Cash flows from investment activities		
Net receipts/payment - sale/purchase of fixed assets	-1,130	-20,730
Net cash flow from investment activities	-1,130	-20,730
Cash flows from financing activities		
Payment of dividends		-18,000
Net cash flow from financing activities	0	-18,000
Net cash flow for the period	-6,179	23,698
-of which net cash flow inn the period before financial asset	52,809	20,159
Net movement in cash and cash equivalents	-6,179	23,698
Cash and cash equivalents at start of the period	28,109	26,153
Cash equivalents at the end of the period	21,930	49,851

Notes

Storebrand Helseforsikring AS

Note 01 | Accounting principles

A description of the accounting policies applied in the preparation of the financial statements are provided in the 2022 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

Storebrand Helseforsikring is classified as a medium-sized P&C insurance company in Norwegian regulation and can therefore choose to use IFRS 17 in the company accounts from 2023, or still use the calculation and measurements in accordance with the Norwegian Regulations on Financial Statements for General Insurance Companies as today. The Board of the company has chosen not to shift to IFRS 17 for 2023. A transition to IFRS 17 will be considered by the Board annually.

There is none new or amended accounting standards that entered into effect as at 1 January 2023 that have caused significant effects on the company's interim financial statements.

Note 02 | Estimates

In preparing the financial statements the management is required to make judgments, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and expectations of future events and represent the management's best judgment at the time the financial statements were prepared. Actual results may differ from these estimates.

The most important estimates, in the sense that their ultimate realization could lead to material adjustments of recognized amounts, are the claims reserves. Estimates are made for expected payments for the period up to the renewal date for contracts in force and expected remaining payments for incurred but not finally settled claims for contracts that has been in force. There is uncertainty connected to the frequency, size and late reporting of claims, and estimates changes may cause increases or reductions in reserves and corresponding changes in claims costs reported in the accounts.

The Covid-19 pandemic seems to have had some impact on the level of the claims and how fast claims are reported. This makes earlier experience less useful, and therefore increases the uncertainty in the claims reserve.

Note 03 | Financial risks

After a period of increased optimism and receding fears of recession, the decline has again accelerated in the form of a repricing of the interest rate outlook and a higher interest rate peak for most central banks. The receding fear of recession was supported by several stronger-than-expected macro figures in the US, such as the labor market figures and industry barometers for the service sector. The market is now pricing in three further interest rate hikes from the US central bank (Fed). At the same time, there is broad agreement that Fed will proceed more cautiously with individual increases going forward. The cyclical situation is nevertheless that we are in the late-cyclical phase, illustrated by the fact that unemployment is at a record low and further economic growth from here will only trigger more interest rate hikes. This is also similar in most places in the industrialized countries, where expectations of more interest rate hikes have increased again. It is expected that the ECB will continue with at least one more double hike at the next interest rate meetings. Overall, a 1.5%-point higher interest rate level from the ECB is now priced in until 2023. This has contributed to the EUR strengthening against both the Norwegian and the Swedish krone since last autumn. With a larger interest rate differential and a weaker currency, both the central bank of Norway and Sweden must probably close some of the interest rate gap to prohibit that weaker currencies intensify the inflation through imported inflation.

This uncertainty in the economy has led to an increased risk for valuation of financial instruments. Storebrand Helseforsikring has established risk management based upon guidelines and established principles which dampens effects from volatile markets, but the investment results are affected by the marked declines. Financial instruments which are priced based upon models have increased uncertainty of the value. Illiquid assets will probably also see pricing differences between the calculated price and offered prices in the market depending on timing.

Note 04 | Solvency II

Storebrand Helseforsikring AS is subject to the European solvency regime Solvency II. The company is largely funded with group 1 capital. In addition, net counting deferred tax assets of NOK 25.2 million counts as group 3 capital and therefore not calculated in the minimum capital requirement. With a total solvency capital of NOK 188.5 million, the company's solvency capital coverage is 111 per cent while the minimum capital requirement is covered by 218 per cent. The current solvency coverage is not satisfactory, and an action plan to strengthen solvency will be implemented.

SOLVENCY CAPITAL

NOK thousand	Total	301.03.23				31.12.22
		Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	33,000	33,000				33,000
Share premium	122,000	122,000				122,000
Reconciliation reserve	5,334	5,334				54,293
Deferred tax assets	26,953				26,953	14,900
Not counting tier 3 capital	-1,762				-1,762	
Total solvency capital	185,525	160,334			25,191	224,193
Total solvency capital available to cover minimum capital requirement	160,334	160,334				209,293

Solvency is calculated with the standard model under Solvency II, and the distribution of the capital requirement of the different risk modules included is shown below.

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

NOK thousand	31.03.23	31.12.22
Market	17,081	11,374
Counterparty	7,859	3,193
Health	182,869	169,131
Operational	33,809	31,633
Diversification	-17,698	-10,508
Loss-absorbing capacity of deferred taxes	-55,980	-51,206
Total solvency requirement	167,940	153,617
Solvencymargin	110.5 %	145.9 %
Minimum capital requirement	73,442	62,626
Minimum margin	218.3 %	334.2 %

Note 05 | Tax

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK thousand	31.03.23
Ordinary pre-tax profit	-52,496
Expected tax on income at nominal rate	13,124
Tax charge	13,124
Effective tax rate	25%

