

Interim Report 2nd quarter 2014

Storebrand Helseforsikring AS



2nd quarter
2014

Interim Report Storebrand Helseforsikring AS

As at 30 June 2014

Profit before tax is NOK 2.4 million (NOK 6.5 million) in 2nd quarter and a profit of NOK 4.9 million (NOK 14.9 million) so far this year.

Premiums earned totalled NOK 119.0 million (NOK 103.1 million) in 2nd quarter. This is an increase of 15 per cent compared to the equivalent period in 2013. So far this year, the earned premiums for own account totalled NOK 235.2 million (NOK 202.0 million). Measured by annual premiums, Storebrand Helseforsikring holds a market-leading position in Norway. Health-related insurance are growing, and the company succeed on the market. This is driven by companies' desire to reduce sick leave, increased work satisfaction and reduction in total insurance costs and increased popularity among the employees for this type of employee benefits.

Cost of claims amounted to NOK 99.4 million (NOK 71.0 million) in 2nd quarter, and NOK 185.9 million (NOK 142.4 million) so far this year. The claims ratio for own account stood at 83 per cent (69 per cent) in 2nd quarter, and 79 per cent (71 per cent) year to date. The underlying risk development is satisfying.

Insurance-related operating costs came to NOK 21.7 million (NOK 26.5 million) in 2nd quarter, and NOK 45.5 million (NOK 51.2 million) so far this year. The net cost ratio for own account ended up at 18 per cent (26 per cent) in 2nd quarter, reflecting improved efficiency in the operations of the company. On accumulated basis the net cost ratio is 19 per cent (25 per cent).

The net financial items amounted to NOK 2.4 million (NOK 2.8 million) in 2nd quarter, and NOK 4.0 million (NOK 8.5 million) so far this year. The company has maintained a conservative investment profile, with most of the funds placed in interest and credit.

The capital adequacy requirement is 8 per cent of risk-weighted balance sheet and the company's capital adequacy ratio was 68.9 per cent as at 30 June 2014 down from 79.1 per cent at the beginning of the year. The decrease is due to increased calculation basis after allocating funds to assets under management and profits made so far this year does not count as primary capital as long as it has not been revised.

The solvency margin requirement is 100 per cent and the solvency margin is estimated to be 211.7 per cent as at 30 June 2014, down from 232.0 per cent at the beginning of the year due to increased earned premiums without counting profits made so far this year as primary capital.

Lysaker, 15th August 2014

The Board of Storebrand Helseforsikring AS

Profit and loss account Storebrand Helseforsikring AS

NOK thousand	Q2		01.01.-30.06.		Full year
	2014	2013	2014	2013	2013
TECHNICAL ACCOUNTS					
PREMIUMS					
Gross premiums written	122,899	105,911	302,940	257,005	441,186
- Reinsurers' share	-327	-377	-942	-563	-1,161
Gross change in reserve for unearned premiums	-3,529	-2,459	-66,758	-54,472	-15,718
Premium income for own account	119,043	103,075	235,241	201,970	424,308
Allocation of investment return transferred from the non-technical accounts	1,474	50	2,807	4,280	3,361
CLAIMS EXPENCES					
Gross claims paid	-92,153	-70,417	-175,996	-140,828	-298,655
- Reinsurers' share	9	-	143	-	294
Gross change in claims reserve	-7,220	-625	-10,022	-1,576	-5,979
Claims expenses for own account	-99,365	-71,042	-185,875	-142,404	-304,340
INSURANCE RELATED OPERATING COSTS					
Sales costs	-6,434	-11,380	-18,642	-21,946	-41,471
Insurance related administration costs	-15,303	-15,100	-26,896	-29,290	-52,282
Insurance related operating costs for own account	-21,737	-26,480	-45,538	-51,236	-93,753
Balance on the technical account before allocations to security reserve	-584	5,603	6,634	12,610	29,576
Change in security reserve	-2,413	-1,860	-2,754	-2,736	-8,678
Technical profit	-2,997	3,743	3,880	9,875	20,898
NON-TECHNICAL ACCOUNTS					
NET INCOME FROM FINANCIAL ASSETS					
Interest and dividend etc from financial assets	2,811	2,878	5,545	5,840	11,225
Change in value on investments	3,142	-1,550	-587	131	1,758
Realised gain and loss on investments	-3,464	1,615	-752	2,720	3,177
Management expenses linked to investment, included interest cost	-100	-97	-196	-201	-403
Net income from investments	2,389	2,846	4,010	8,490	15,757
Allocation of investment return transferred to the technical accounts	-1,474	-50	-2,807	-4,280	-3,361
Other income / other cost	-288	-23	-218	-44	-226
Non-technical profit	627	2,773	985	4,165	12,169
Pre tax profit	-2,369	6,515	4,865	14,040	33,068
Tax	647	-1,803	-1,290	-3,803	-7,342
Profit before other comprehensive income	-1,722	4,712	3,576	10,236	25,725
Translation differences	552	-639	2,486	-3,868	-7,023
Change in pension experience adjustments	-	-	-	-	-2,715
Tax on other comprehensive income	-	-	-	-	-1,363
Comprehensive income	-1,170	4,073	6,062	6,368	14,625

Statement of financial position Storebrand Helseforsikring AS

	30.6 2014	31.12 2013
NOK thousand		
ASSETS		
Intangible assets	12,240	12,542
Total intangible assets	12,240	12,542
FAIR VALUE FINANCIAL ASSETS		
Bonds and other securities - fixed yield	394,468	382,846
Financial derivatives	848	1,887
Other financial assets	1,449	720
Total financial assets	396,765	385,453
RECEIVABLES		
Receivables due from insurance customers	134,537	105,539
Other receivables	11,502	8,399
Total receivables	146,039	113,938
OTHER ASSETS		
Fixed assets	844	1,299
Cash and bank	26,253	18,843
Total other assets	27,096	20,143
Total assets	582,141	532,076

Statement of financial position Storebrand Helseforsikring AS (cont.)

	30.6	31.12
NOK thousand	2014	2013
EQUITY CAPITAL 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
RETAINED EARNINGS		
Allocation to guarantee reserve	17,769	17,398
Other retained earnings	17,959	12,269
Total retained earnings	35,728	29,667
GROSS INSURANCE LIABILITIES		
Reserve for unearned premiums gross	238,162	174,505
Claims reserve gross	55,428	45,999
Security reserve	65,417	63,567
Total insurance liabilities gross	359,008	284,070
RESERVES FOR LIABILITIES		
Pension liabilities	9,951	9,951
Period tax liabilities	-	3,463
Deferred tax	1,472	182
Total reserves for liabilities	11,423	13,597
DEBT		
Due in respect of direct insurance	4,453	3,537
Allocation to dividends		25,000
Other debt	2,367	13,938
Debt to connected parties	903	237
Total debt	7,723	42,712
Accrued costs and deferred income	13,259	7,031
Total accrued costs and deferred income	13,259	7,031
Total equity capital and liabilities	582,141	532,076

Cash Flow analysis Storebrand Helseforsikring AS

NOK thousand	Q2	
	2014	2013
Cash flows from operations		
Net receipts - insurance	273,916	225,136
Net payments/claims insurance	-175,853	-140,828
Payment of income tax	-3,463	-9,787
Payments relating to operations	-52,919	-52,486
Net cash flow from operations before financial assets	41,680	22,034
Net receipts/payments - mutual funds	-6,594	-728
Net cash flow from financial assets	-6,594	-728
Net cash flow from operations	35,086	21,306
Cash flows from investment activities		
Net receipts/payment - sale/purchase of fixed assets	-1,947	-3,164
Net cash flow from investment activities	-1,947	-3,164
Cash flows from financing activities		
Payment of dividends	-25,000	-27,000
Net cash flow from financing activities	-25,000	-27,000
Net cash flow for the period	8,139	18,142
-of which net cash flow inn the period before financial asset	39,733	18,871
Net movement in cash and cash equivalents	8,139	18,142
Cash and cash equivalents at start of the period	19,563	36,597
Cash equivalents at the end of the period	27,702	54,739

Changes to equity Storebrand Helseforsikring AS

NOK thousand	Share capital	Share premium account	Restate-ment dif-ferences	Pension experience adjustments	Admin and guarantee scheme	Other equity	Total equity
Equity at 01.01.13	33,000	122,000	93	7,763	14,786	17,400	195,042
Profit/loss for the year						25,726	25,726
Translation differences			-7,023				-7,023
Change in quarantee reserve					2,611	-2,611	
Change in pension experience adjustments				-4,078			-4,078
Dividend						-25,000	-25,000
Equity at 31.12.2013	33,000	122,000	-6,930	3,685	17,397	15,514	184,667
Profit/loss for the year						3,576	3,576
Translation differences			2,486				2,486
Change in quarantee reserve					372	-372	
Equity at 30.06.2014	33,000	122,000	-4,444	3,685	17,769	18,718	190,728

Notes to the accounts for Storebrand Helseforsikring AS

NOTE 1 – ACCOUNTING PRINCIPLES:

The accounts have been presented in accordance with the accounting principles applied in the 2013 Annual Accounts. A description of the accounting principles is given in the 2013 Annual Report.

NOTE 2 – FINANCIAL RISKS:

There is no change in the risk picture compared to that described in the 2013 Annual Report.

NOTE 3 – CAPITAL REQUIREMENTS:

Non-life insurance companies comply with the same capital adequacy rules as life insurance companies, banks and other financial institutions. The requirement is equity and subordinated loan capital (primary capital) equal to 8 per cent of the risk-weighted balance sheet.

Specification capital adequacy

NOK thousand	30.6.2014	31.12.2013
Share capital	33,000	33,000
Share premium account	122,000	122,000
Other equity	12,269	12,269
Total equity	167,269	167,269
Intangible assets	-12,240	-12,542
Net primary capital	155,029	154,727
Calculation base by class of risk weighting	567,970	517,646
Risk weight 10%	95,991	95,701
Risk weight 20%	321,087	295,541
Risk weight 100%	150,892	126,404
Weighted assets in the balance sheet	224,709	195,082
Weighted interest rate and FX contracts	302	513
Risk weighted calculation base	225,010	195,595
Capital adequacy ratio	68.9%	79.1%

The minimum solvency margin is calculated as the greater of two measurements, based either on last year's premiums or the average of the last three year's claims received. The minimum requirement is calculated from the previous year's account, and applies for the whole of the next year.

Solvency margin

NOK thousand	30.6.2014	31.12.2013
Solvency margin demand	87,150	79,011
Solvency margin capital	184,466	183,332
Solvency margin	211.7%	232.0%

Specification of solvency margin capital

NOK thousand	30.6.2014	31.12.2013
Net primary capital	155,029	154,727
Counting security reserve	29,438	28,605
Solvency margin capital	184,466	183,332

Notes to the accounts for Storebrand Helseforsikring AS

NOTE 4 - TAX

Reconciliation of expected and actual tax charge

NOK thousand	30.06.2014
Ordinary pre-tax profit	4,865
Expected tax on income at nominal rate	-1,314
Tax effect of:	
permanent differences	24
Tax charge	-1,290
Effective tax rate	26.5 %



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