PROTECTOR
forsikring

2021 SFCR PROTECTOR FORSIKRING EN

PROTECTOR FORSIKRING ASA

This document is prepared in accordance with the requirements of the Norwegian Supervisory Authority for SFCR reporting in line with Commission Delegated Regulation 2015/35. *This is an office translation; the Norwegian version of the document precedes in case of deviations.*

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Summary

Protector Forsikring ASA had growth of 8% (10% in local currency) in gross written premium in 2021. Combined ratio for own account was 87,3%. The company's SCR ratio calculated using standard formula including volatility adjustment was 206%. NOK 10 dividend per share, TNOK 823 720 in total, is subtracted from available solvency capital in calculation of SCR ratio. Eligible solvency capital was TNOK 4 294 241 compared to TNOK 4 025 429 at the end of 2020. Solvency capital requirement was TNOK 2 081 068 compared to TNOK 2 002 854 previous year. SCR ratio was positively affected by a reinsurance agreement for workers' compensation portfolio in Norway and Denmark entered into in Q1 2021.

The underlying profitability is good and with continued profitability measures the technical result is expected to remain at a good level.

Protector Forsikring works continuously with risk management systems in the company. Established processes and reporting systems ensure that Protector's risk management system is adequately organized and that the company's risk profile is followed up on a regular basis.

A. Business and Performance

A.1 Business

Protector Forsikring ASA, org. nr. 985279721, business address Støperigata 2, 0250 Oslo, Norge, is a general insurance company organized as a public limited liability company and listed on the Oslo Stock Exchange. The company operates in Norway, Sweden, Denmark, the UK and Finland.

This report is presented in TNOK, which is the company's reporting currency unless otherwise stated.

Name and contacts of the company's public supervisory authority
Name: The Norwegian Supervisory Authority
Business address: Revierstredet 3, 0151 Oslo, Norway
Phone: 22 93 98 00

Company's external auditor
Name: Ernst & Young AS
Business address: Dronning Eufemias street 9, 0191 Oslo, Norway
Phone: 91 66 90 00

A.2 Underwriting performance

The company's growth in gross written premium was 8% (10% in local currency) in 2021. UK contributed with 5,3 percentage points while growth in the Nordics was driven by Sweden. Gross combined ratio was 88,5% in 2021 compared to 92,5% in 2020. Combined ratio for own account was 87,3% (94,8% in 2020). The technical result is driven by strong results in the Nordic countries. Total combined ratio for own account was below 90% in the Nordic countries. The UK came in weaker due to an above normal number of large claims.

Claims ratio for own account was 77,4%, down from 84,6% in 2020. Price increases and other profitability measures drive the claims ratio downwards. The large loss share was somewhat lower than normal, and Covid-19 pandemic had a positive effect of 0,8% percentage points. The company had run-off losses of 0,3% in 2021 compared to 2,2% run-off losses in 2020.

Table 1 shows results per geographic area.

For more information about the company's results and development, please see Protector's annual report for 2021 which is available at the company's home page www.protectorforsikring.no.

Table 1 Geographic distribution of the company's results

	Norway		Sweden		Denmark		UK		Finland		Total	
[1.000 NOK]	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
Gross premiums written	1 415 046	1 382 605	1 820 477	1 607 426	918 677	972 504	1 618 145	1 327 792	178 227	225 996	5 950 571	5 516 322
Gross premiums earned	1 398 303	1 443 433	1 749 251	1 605 185	880 189	982 997	1 460 516	1 130 990	257 817	216 957	5 746 076	5 379 562
Gross claims incurred	(1 088 567)	(1 170 485)	(1 038 146)	(1 269 108)	(904 643)	(1 105 963)	(1 237 627)	(722 110)	(199 414)	(156 954)	(4 468 397)	(4 424 620)
Earned premiums, net of reinsurance	1 245 353	1 292 632	1 512 322	1 401 905	761 435	861 121	1 170 932	863 837	230 694	194 018	4 920 737	4 613 513
Other insurance-related income	3 978	4 986	367	457	532	443	2 183	8 588	1 656	5 035	8 716	19 510
Claims incurred, net of reinsurance	(1 021 827)	(1 036 188)	(949 203)	(1 119 342)	(631 268)	(991 252)	(1 027 591)	(610 976)	(180 174)	(143 612)	(3 810 063)	(3 901 370)
Sales cost	(56 598)	(66 448)	(138 470)	(141 004)	(26 990)	(22 321)	(135 456)	(97 390)	(4 151)	(4 169)	(361 665)	(331 332)
Administration cost	(49 020)	(58 003)	(75 851)	(63 440)	(46 935)	(43 851)	(74 629)	(48 895)	(10 179)	(7 097)	(256 615)	(221 286)
Commission from reinsurance	16 501	45 189	59 961	24 598	21 061	(16 527)	28 107	23 880	5 071	4 467	130 701	81 607
Other insurance-related expenses	(14 868)	(1 123)	788	(1 792)	(13 816)	(5 904)	(8 386)	(2 897)	(1 129)	(2 334)	(37 410)	(14 049)
Technical result	**123 519**	**181 046**	**409 916**	**101 382**	**64 020**	**(218 290)**	**(44 841)**	**136 146**	**41 787**	**46 307**	**594 401**	**246 591**
Other income/cost	(57 680)	(63 837)	(788)	(479)	27	(1 166)	2 084	(1 787)	(31)	295	(56 388)	(66 973)
Net financial income	758 345	770 023	98 894	84 108	(1 430)	3 724	6 365	14 812	16 151	(7 468)	878 325	865 199
Profit before tax	**824 184**	**887 232**	**508 021**	**185 011**	**62 618**	**(215 732)**	**(36 392)**	**149 172**	**57 906**	**39 135**	**1 416 338**	**1 044 818**
Claims ratio, net of ceded business	82,1 %	80,2 %	62,8 %	79,8 %	82,9 %	115,1 %	87,8 %	70,7 %	78,1 %	74,0 %	77,4 %	84,6 %
Expense ratio, net of ceded business	7,2 %	6,1 %	10,2 %	12,8 %	6,9 %	9,6 %	15,5 %	14,2 %	4,0 %	3,5 %	9,9 %	10,2 %
Combined ratio, net of ceded business	**89,2 %**	**86,3 %**	**73,0 %**	**92,7 %**	**89,8 %**	**124,7 %**	**103,3 %**	**84,9 %**	**82,1 %**	**77,5 %**	**87,3 %**	**94,8 %**
Gross claims ratio	77,8 %	81,1 %	59,3 %	79,1 %	102,8 %	112,5 %	84,7 %	63,8 %	77,3 %	72,3 %	77,8 %	82,2 %
Gross expense ratio	7,6 %	8,6 %	12,3 %	12,7 %	8,4 %	6,7 %	14,4 %	12,9 %	5,6 %	5,2 %	10,8 %	10,3 %
Gross combined ratio	**85,4 %**	**89,7 %**	**71,6 %**	**91,8 %**	**111,2 %**	**119,2 %**	**99,1 %**	**76,8 %**	**82,9 %**	**77,5 %**	**88,5 %**	**92,5 %**

The company's underwriting results in 2021 and 2020 are presented in Table 2 and Table 3 below.

Table 2 The company's 2021 results per line of business

	General insurance									Life insurance	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscelaneous financial loss	Group life	Total
Premium income[1,2]											
Premiums written	191 850	133 044	321 103	796 692	1 284 936	16 118	2 347 274	533 234	1 835	324 484	**5 950 571**
Premiums writen ceded	-18 104	-13 405	-41 209	-101 514	-123 724	-1 561	-387 105	-105 759	-179	-32 656	**-825 217**
Premiums written for own account	173 746	119 639	279 894	695 178	1 161 212	14 557	1 960 169	427 475	1 656	291 828	**5 125 354**
Premium earned											
Gross premiums earned	189 866	134 054	402 972	738 336	1 237 243	15 611	2 210 048	495 910	1 792	320 244	**5 746 076**
Reinsurers' share of gross premiums earned	-18 104	-13 405	-41 209	-101 514	-123 724	-1 561	-385 790	-107 195	-179	-32 656	**-825 339**
Premiums earned for own account	171 762	120 649	361 763	636 822	1 113 518	14 050	1 824 258	388 715	1 613	287 588	**4 920 737**
Gross claims incurred											
Occurred this year	174 783	144 809	316 250	830 255	755 438	7 249	1 345 749	426 195	592	300 446	**4 301 766**
Occurred previous years	28 040	27 315	172 944	187 446	-191 802	-6 310	-197 011	145 192	-433	1 250	**166 631**
Total for the accounting year	202 823	172 123	489 194	1 017 701	563 636	940	1 148 739	571 386	158	301 696	**4 468 397**
Claims incurred for own account											
Gross claims	202 823	172 123	489 194	1 017 701	563 636	940	1 148 739	571 386	158	301 696	**4 468 397**
Reinsurers' share of gross claims	-19 796	-25 623	-127 028	-147 358	-54 818	-93	-112 382	-142 107	-16	-29 113	**-658 334**
Total claims for own account	183 026	146 500	362 167	870 343	508 818	846	1 036 357	429 280	142	272 583	**3 810 063**

[1] Premium income is related to insurance in Norway, Sweden, Denmark, Finland, and the UK. See Table 1 for segment information.
[2] Defined as Alternative Performance Measures (APM). APMs are described at the company's home page www.protectorforsikring.no in the document APMs Protector Forsikring 2021.

Table 3 The company's 2020 results per line of business

	General insurance									Life insurance	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscelaneous financial loss	Group life	Total
Premium income[1,2]											
Premiums written	191 415	142 662	546 864	691 892	1 170 216	15 592	2 007 399	450 221	1 688	298 374	**5 516 322**
Premiums writen ceded	-20 503	-9 494	-57 246	-135 685	-116 961	-1 543	-304 045	-101 210	-181	-30 858	**-777 726**
Premiums written for own account	170 912	133 168	489 618	556 206	1 053 256	14 048	1 703 353	349 011	1 508	267 516	**4 738 596**
Premium earned											
Gross premiums earned	197 038	182 410	561 979	701 600	1 169 607	15 433	1 831 364	415 621	1 806	302 705	**5 379 562**
Reinsurers' share of gross premiums earned	-20 386	-10 970	-57 246	-135 685	-116 961	-1 543	-302 669	-89 550	-181	-30 858	**-766 049**
Premiums earned for own account	176 652	171 440	504 733	565 915	1 052 646	13 890	1 528 694	326 070	1 625	271 847	**4 613 513**
Gross claims incurred											
Occurred this year	175 870	177 014	515 933	616 540	721 245	8 049	1 441 507	337 138	859	310 273	**4 304 429**
Occurred previous years	2 731	41 940	65 214	52 441	-25 868	-2 498	-24 563	14 026	-401	-2 832	**120 191**
Total for the accounting year	178 601	218 955	581 147	668 981	695 378	5 551	1 416 943	351 164	458	307 441	**4 424 620**
Claims incurred for own account											
Gross claims	178 601	218 955	581 147	668 981	695 378	5 551	1 416 943	351 164	458	307 441	**4 424 620**
Reinsurers' share of gross claims	-18 239	-28 643	-57 828	-108 661	-71 127	-555	-138 900	-67 364	-46	-31 887	**-523 249**
Total claims for own account	160 362	190 312	523 320	560 320	624 250	4 996	1 278 044	283 800	413	275 554	**3 901 370**

[1] Premium income is related to insurance in Norway, Sweden, Denmark, Finland, and the UK. See Table 1 for segment information.
[2] Defined as Alternative Performance Measures (APM). APMs are described at the company's home page www.protectorforsikring.no in the document APMs Protector Forsikring 2021.

A.3 Investment performance

The company's net investment results per asset class is presented in Table 4.

Table 4 Investment result per asset class

Investment portfolio	2021	2020
Avg. investment portfolio	13 971 156	12 060 249
Equities	1 719 975	1 242 199
Bonds	12 251 182	10 818 050
Share equities	12 %	10 %
Share bonds	88 %	90 %
Result equities	38,9%	34,9%
Result bonds	2,3%	5,0%
Return equities	669 476	433 835
Return bonds	285 057	535 717
Investment result, net	**954 534**	**969 552**
Return, net	**6,8%**	**8,0%**

Average share invested in equities was 12% compared to 10% in 2020. Protector's investments in equities comprised mainly investments in companies listed on stock exchange in Sweden and Denmark. Net return on equity investment was 38,9% in 2021. Return on equities excluding put options was 43,0%. Equities return was affected by strong underlying development in and repricing of the companies we are invested in during the year. Return on the total bond portfolio was 2,3% in a good market. Total credit risk in the bond portfolio is valued at A- at the end of 2021. Administration costs related to investments amounted to TNOK 68 390. Total investment result was 6,8% in compared to 8,0%% in 2020.

99% of the company's investment portfolio is accounted for at fair value through profit and loss, while 1% of investment portfolio is accounted for using equity method.

For more information about the company's investment result, please see Protector's annual report for 2021 which is available at the company's home page www.protectorforsikring.no.

A.4 Performance of other activities

The company had no significant income or expenses from other activities.

A.5 Any other information

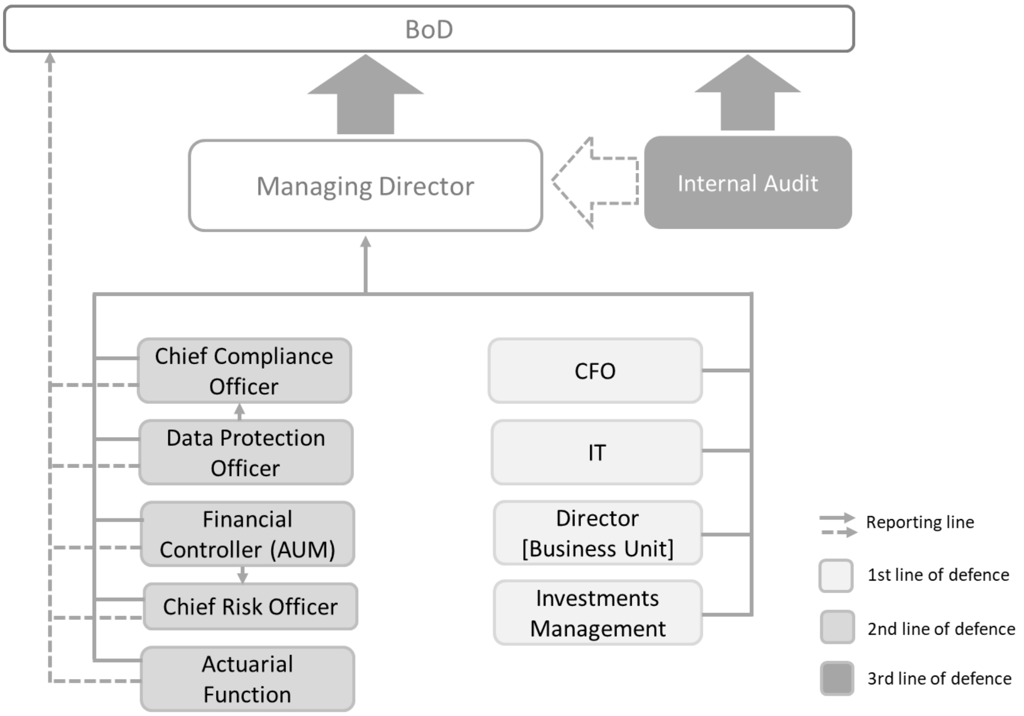
All significant information about Protector's operations and results is deemed provided above.

B. System of Governance

B.1 General information on the system of governance

The company's overall system of governance is presented in Figure 1.

Figure 1 The company's system of governance



The figure presents an overview of key functions and reporting lines in the company. All risk management and compliance functions report directly to the managing director with an exception of internal audit which reports directly to the Board of Directors. Chief Compliance Officer, Chief Risk Officer and actuarial function has right and duty to report directly to the Board of Directors in special cases. Second line functions are administratively organized under CFO. The company's Data Protection Officer reports to Chief Compliance Officer and has right and duty to report to the Board of Directors directly in special cases. Financial Controller reports to the managing director and the Board of Directors.

The Board of Directors has the ultimate responsibility for the company having established appropriate and effective processes for risk management and internal control. The Board of Directors shall ensure that these processes are adequately established, implemented and followed up.

Through establishment of the company's goals, strategies and risk appetite the Board of Directors define framework for types and extent of risks the company can be exposed to. The Board of Directors shall at least annually ensure that significant risks are continually identified, assessed, and managed in a systematic way, and that the risks are acceptable and within defined framework. The above is ensured through internal control and ORSA processes. The company's Board of Directors has Audit and Risk sub-committees. These sub-committees support the Board of Directors in execution of its responsibilities for the company's total risk management and control.

Managing director ensures that risk management and internal control in Protector Forsikring is carried out, documented, monitored and followed up in a satisfactory way. The managing director defines for this purpose descriptions and guidelines for how the company's risk management and internal control shall be implemented in practice as well as establishes adequate control functions and processes.

The managing director follows up continuously changes in the company's risk exposure and informs the Board of Directors about significant changes. The managing director ensures that the company's risks are secured or in compliance with the Board of Directors' guidelines, and ensures that leaders for all the significant business areas follow up implementation of internal control.

All leaders are responsible for that risk management and internal control within own area of responsibility is sufficient. This entails:

- having overview of all significant risks within own area of responsibility at all times,
- following up implementation of and compliance with corresponding control measures,
- adjusting general requirement for risk management and control to type, extent and complexity within own area, hereunder assessing need for more detailed instructions or guidelines.

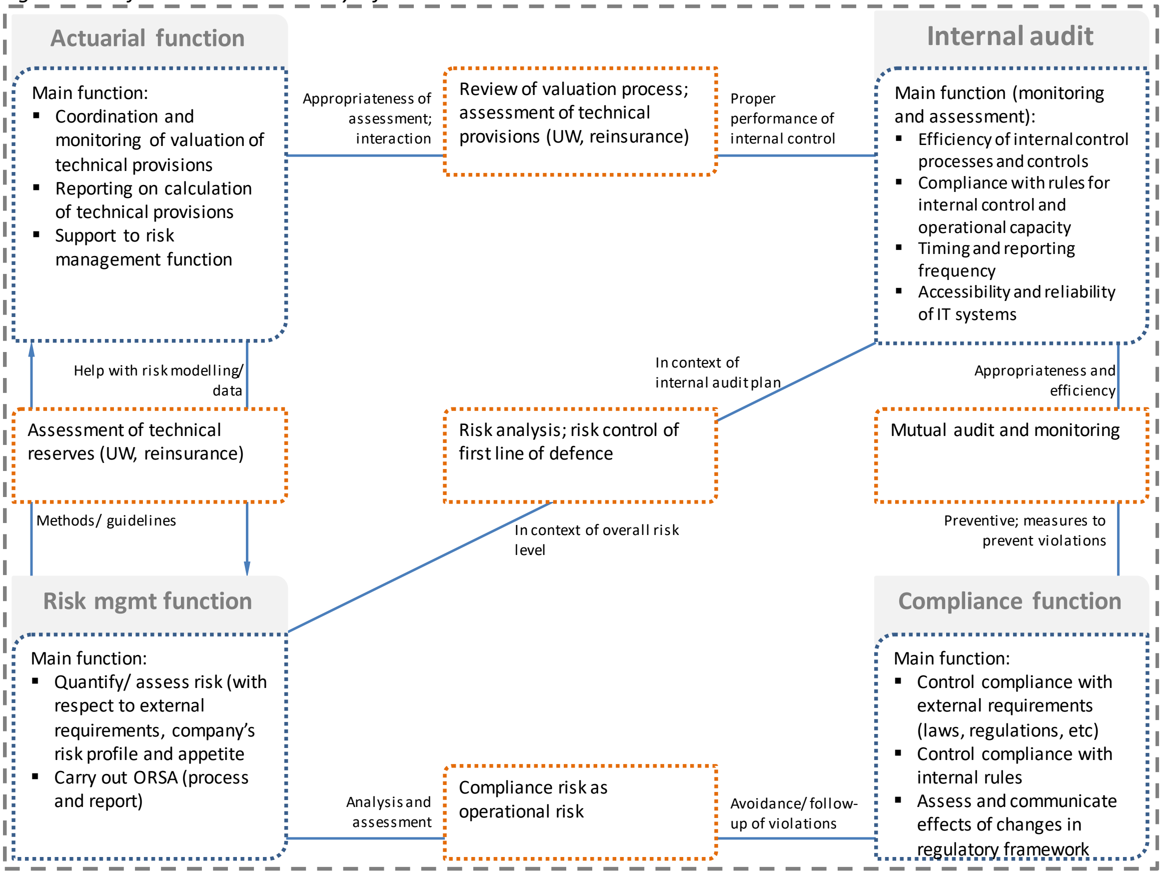
Leaders shall be able to substantiate that adequate control of risks is established and functions. Leaders for significant business areas carry out and document an annual risk assessment according to the company's requirements as well as follow up earlier control measures.

Risk management function in the company is responsible for monitoring the company's risk management system and for having an overview of the risks the company is or can be exposed to. Chief Risk Officer ensures that the company's management and the Board of Directors are adequately informed about the company's risk profile at all times and that it is within the company's risk appetite. Risk management function is responsible for the managing director and the Board of Directors receiving relevant and timely information about implementation of the company's risk management. Risk management function shall ensure that in case of significant changes or establishment of new products and significant routines risk assessment is carried out before activities are started. Risk management function facilitates the annual ORSA process.

Information about compliance, internal audit and actuarial functions is provided in chapters B.4 Internal control system, B.5 Internal audit function and B.6 Actuarial function.

Figure 2 on next page describes interaction between the key Solvency II functions.

Figure 2 Interfaces between Solvency II functions



Protector Forsikring works continuously with the risk management systems in the company.

Remuneration. The company has established guidelines for determination of salary and other remuneration to employees which shall contribute to the company's business strategy, long-term interests and financial sustainability by attracting, motivating and maintaining the most skilled employees at all levels; promoting and giving incentives to good risk management; promoting desired company culture; ensuring openness about Protector's remuneration policy. The total remuneration to employees can constitute of fixed salary, variable salary, pension and fringe benefits.

Fixed salary is the main element is the total remuneration and is determined based in criteria such as nature of the position, competence, individual performance and personal suitability. The fixed salary is reviewed annually and determined on the basis of wage growth in society in general and in the financial industry in particular.

The goal of the company's variable remuneration (bonus schemes) is to support the company's business strategy and promote good results for the company but not at the cost of management and control of the company's risk. Award of bonus depends on the assessment of participant's result and performance based on a total assessment of financial and non-financial targets derived from the company's strategy and goals. Variable remuneration to employees with control functions shall be independent of results in business areas they control.

The company has established a long-term bonus scheme to senior executives and key personnel. Bonus awarded to senior executives and key personnel participating in the company's long-term bonus scheme is converted to synthetic shares based on Protector's share price per 31 December and paid out over a 5-year period. Other employees can, under certain conditions, participate in an ordinary bonus scheme. Awarded bonus is paid out in a year following the earning year. Employees who are included in the bonus schemes shall not use personal hedging strategies or insurance against lapse or reduction of the variable remuneration.

Pension arrangements in Protector shall be competitive and in line with practice in the market. As a rule, the company shall use obligatory defined contribution pension plans in a life insurance company.

Any fringe benefits shall have connection to one's functions in the company and otherwise be in line with general practice in the market. No separate schemes are established for senior executives.

Protector publishes guidelines for remuneration and remuneration report (for senior executives) at www.protectorforsikring.no.

B.2 Fit and proper requirements

The company has established policy for fit and proper assessment in order to ensure that key personnel, including members of administration, the Board of Directors and senior management have adequate qualifications, knowledge and relevant experience for managing the company in a prudent way.

Fitness is assessed based on relevant professional qualifications in addition to a sound reputation and other relevant information about conduct in order to ensure that the position will be fulfilled in a prudent manner. Professional and formal qualifications, knowledge and relevant experience within insurance, other finance, law or other business is the basis for assessment of competence. Assessment includes, when relevant, skill within economy, accounting, insurance mathematics as well as managerial skills.

Education and personal traits as well as competence and experience requirements for key functions are specified in relevant position descriptions as well as guidelines for the functions. During recruitment process potential candidates are assessed against requirements for competence and experience before decision is taken. In cases of new information indicating need for renewed assessment, changes in regulatory framework, new requirements for corporate governance, changes in key functions or changes in the composition of the Board of Directors, Protector Forsikring will carry out new fit and proper assessments. Every second year the company will review need for new fit and proper assessment even if persons are the same.

Fit and proper assessment of relevant leading and key persons is carried out according to the Financial Supervisory Authority's regulatory framework.

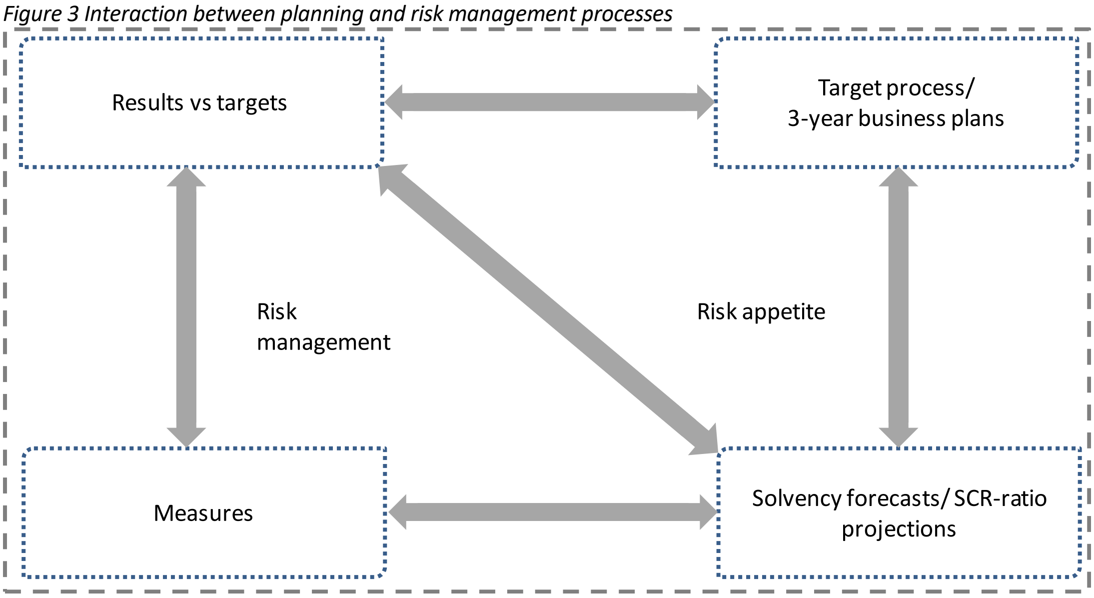
B.3 Risk management system including the own risk and solvency assessment

Protector Forsikring has prepared risk management policy which is the main tool for fulfilling own and society's requirements for good risk management. The policy is prepared in accordance with current regulatory framework for insurance companies and financial institutions and Solvency II requirements.

The company's risk appetite which is set by the Board of Directors forms the basis for risk monitoring and management in the company. The Board of Directors approves framework for market, insurance, operational and compliance, business as well as counterparty risks. Risk appetite defines either lower or upper limit as well as ranges, or any other definition of risk exposure which is accepted by the Board of Directors in order to achieve the company's strategic goals.

Figure 3 provides an overview of interaction between planning and risk management processes in the company.

Figure 3 Interaction between planning and risk management processes



Separate policies and/ or strategy documents are established for different types of risks which are a part of the total corporate governance in the company.

In order to ensure that the company's corporate governance system is organized in an adequate way and that the company's risk profile is within the approved limits, Protector Forsikring has established various processes and reporting systems.

Own risk and solvency assessment (ORSA) is a continuous process. Quarterly risk reports summarizing exposure to main risk with respect to the defined limits are prepared on a quarterly basis. The Board of Directors, together with the management, carries out the company's strategy process at least annually. Based on the strategy process the company prepares different scenarios which forecast probable development of result and capital as well as risk exposure. The company estimates the necessary shareholders capital to cover risk exposure as well as its capacity to fulfil its obligations related to insurance contracts based on this view of risks. The company also assess how well standard formula reflects the company's risk profile and how capital requirement calculated using standard model compares with the company's own assessment of capital requirement. At least annually Protector Forsikring prepares ORSA report in accordance with the company's ORSA policy which is reviewed by the Board of Directors.

B.4 Internal control system

Protector Forsikring has prepared policy and guidelines for operational and compliance risk. Compliance function is an independent control function. Compliance function carries out own controls, monitors laws and regulations and reports to the Board and senior management about significant risks in operations. Compliance function ensures that all business areas at least annually carry out a systematic assessment of if risk management and internal control are adequate for management of identified risks in an appropriate way. Compliance contributes to lower compliance risk through support in implementation of laws and regulations, and through following up the company's compliance.
Compliance function is the company's whistle-blowing institution and is responsible for investigating any irregularities or fraud.

All business areas have appointed compliance-responsible who assist compliance function in its work.

The company's Data Protection Officer strengthens the operations' capability to comply with General Data Protection Act.

In accordance with policy and guidelines for operational and compliance risk internal control in the company is carried out according to the annual plan for internal control. The company's internal control is based on identifying operational events which can prevent achievement of goals and these are placed into risk groups based on probable frequency and consequence. Internal control system implies that a complete revision of each business area and administrative units is carried out annually. Timing of completion is coordinated with the audit of the company by the external auditor and occurs in autumn. It is the responsible for each business area who presents the results of the current year's analysis in a form of an updated risk matrix and a verification to the managing director. This verification shall also include an assessment of the last year's planned measures with respect to implementation and realized effect. This process is initiated, managed and coordinated by the company's Chief Compliance Officer who also provides the necessary information to the managing director's verification of the internal control to the Board of Directors as a part of area of responsibility described in the job description for the company's chief compliance officer.

B.5 Internal audit function

Internal audit is an independent, objective function for verification and advising and carries out only internal audit in the company, i.e. does not carry out or is not responsible for daily operations. The company gas outsourced internal audit function. The agreement with the internal audit function is based on market price.

The internal audit conducts its activities independently and objectively in accordance with acknowledged standards for internal audit and reports directly to the Board. Work of the internal audit is based on a Board-approved, risk-based annual plan which takes into account type, extent and complexity of business activities as well as established internal control. Changes in the company's risk situation and development in demanding business initiatives may lead to need for revision of the internal audit's annual plan. At least once a year the internal audit function reports to the Board of Directors and the managing director about the company's risk management and control.

B.6 Actuarial function

Actuarial function is carried out in accordance with the Article 272 through continuous dialog with the company's actuary in order to follow up data quality, development of premiums and claims in various lines of business and insurance markets that the company is exposed to. The actuarial function gives feedback to control activities in order to ensure that the underlying data for estimating technical provisions is complete, accurate and appropriate. The actuarial function carries out control activities which ensure that the underlying data used for calculation of the technical provisions is satisfactory, and that estimated technical provisions correspond to the amounts in the financial accounts. The actuarial function contributes as discussions partner to the choice of models and assumptions underlying estimation of the technical provisions within various lines of business and insurance markets that the company is exposed to. In connection to the quarterly estimation of the technical provisions underlying data and results are exchanged between the company's actuary and the actuarial function. The actuarial function gives feedback on results of the calculations carried out by the company's actuary and, in cases where assessment deviates, assumptions and choice of models are discussed, and final results are based on assumptions and model choices that both the company's actuary and the actuarial function find appropriate. The actuarial function ensures that the technical provisions are sufficient. Reports describing underlying data, assumptions and results of calculation of the technical provisions are prepare quarterly. The report includes process and results assessment by both the company's actuary and the actuarial function. The actuarial function prepares a more extensive report in connection with annual reporting which shall cover all areas of responsibilities covered by the actuarial function in accordance with Article 272.

B.7 Outsourcing

Protector Forsikring has prepared policy and guidelines for outsourcing which defines extent, areas of responsibility, monitoring and reporting in case of outsourcing of business activities. It is not allowed to outsource core business. Core business means product development and work related to take over and underwriting of insurance risk.

The company is fully responsible for all part of the outsourced business and shall have competence and resources to assess risk related to the outsourced business activities itself at all times.

Following principles underlie assessment and any implementation of outsourcing in the company:

- Outsourcing shall be prudent, and relevant information for analysis and assessment shall be gathered before final decision.
- Public requirements and external regulations which the company has to satisfy shall be ensured also when outsourcing.

- Outsourcing shall contribute to providing the company with access to cost-efficient and qualitatively good services, products and distribution channels.
- Outsourcing shall occur in a way that gives the company flexibility with respect to changes in its outsourcing strategy.

The company has outsourced the internal audit to KPMG and the actuarial function to Zabler-Neuhaus AS. Both suppliers are located in Norway.

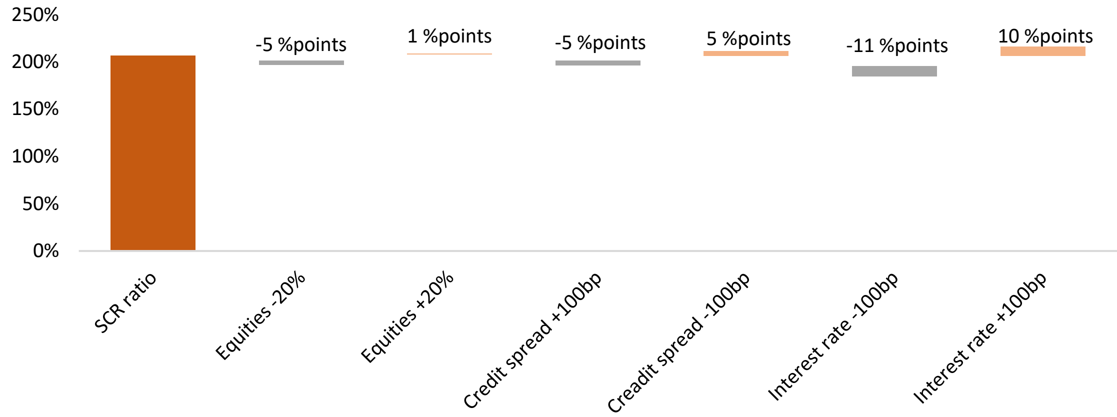
B.8 Any other information

Protector Forsikring’s assessment is that the company’s risk management and internal control system is appropriate with respect to types, extent and complexity of the risks related to the company’s business.

C. Risk Profile

Protector Forsikring is exposed to insurance, market, credit and counterparty, liquidity and operational risks (se chapter E.2 Solvency Capital Requirement and Minimum Capital Requirement for relevant risks). These risks are monitored continuously. Table below shows SCR ratio sensitivities to changes in the market value of investments in equities, credit spread and interest rate levels.

Figure 4 SCR ratio sensitivities per 31.12.2021



The company carries out stress test analysis as a part of ORSA process. Choice of factors for stress test scenarios is risk-based with the company's 3-year business plans and focus areas as a starting point. Scenarios are compared to estimated capital requirement and estimated available capital based on a set of basic assumptions which correspond to the company's 3-year business plans. Methods used for stress testing are based on an assumption that it is only the defined assumptions that are stressed in concrete scenarios which are changed while all other assumptions remain constant. Total results are summarized and processed by the Board of Directors at least once a year in connection with submission of ORSA report.

Climate risk. The company has also exposure to risk related to climate and climate change. Assessment of risks related to climate changes is a part of the company's risk management system. Assessment of potential risks factors and impact on Protector's (insurance) business are carried out with a starting point in publications by Intergovernmental Panel on Climate Change (IPCC) analysing climate change and future scenarios, analysis and assessments of risk factors and potential impacts related to climate and climate change carried by Task Force on Climate-related Financial Disclosures (TCFD), United Nations Environment Programme (UNEP) Finance Initiative, and EIOPA.

Protector is, at the outermost, exposed to either transitional or physical risk related to climate changes. Transition risk, being a risk that arise from the transition to a low-carbon and climate resilient economy, is closely related to Representative Concentration Pathway (RCP) 2,6; a stringent mitigation scenario that aims to keep global warming likely below 2°C above pre-industrial temperatures, but unlikely to exceed 2°C. Transition risk has an inherent low visibility and potentially a wide range of possible outcomes not yet observed as a result of being related to future changes in policy, legal environment, technology, consumer behaviour etc. Physical risk, being risk that arises from the physical effects of climate change, is closely related to RCP8,5; a scenario without additional efforts to constrain emissions, resulting in very high greenhouse gas (GHG) emissions. Global surface temperature change for the end of the 21st century (2081–2100) is projected to likely exceed 2°C in a range of 2,6°C to 4,8°C. Physical risk is more observable and currently lends itself better for an assessment of potential risks and consequences. It has to be observed though that the confidence interval for assessment of potential consequences is wide especially beyond the short-term horizon.

Assessment of physical risk and consequences is carried out along the following dimensions:

- Type of risk:
    - Physical (as defined above):
        - Acute; risk arising from particular events, especially weather-related events such as storms, floods, fires or heatwaves that may damage production facilities and disrupt value chains;
        - Chronic; risk arising from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity, loss and changes in land and soil productivity.
    - Transition (as defined above)
    - Liability; risk arising from businesses or individuals seeking compensation for losses they may have suffered from the physical or transition risks from climate change
- Risk area:
    - UW (insurance); per type of product if higher detail level is assessed to provide a better risk profile
    - Market (investments portfolio)
    - Credit/ counterparty
    - Operational/ Reputational/ Strategic risk
- Time horizon:
    - Short-term; current to three years;
    - Medium-term; four to ten years;
    - Long-term; over ten years.

From a business perspective, a ten-year period is a long-term horizon. Assessment of risks beyond 10-year is a part of ORSA process and reporting.

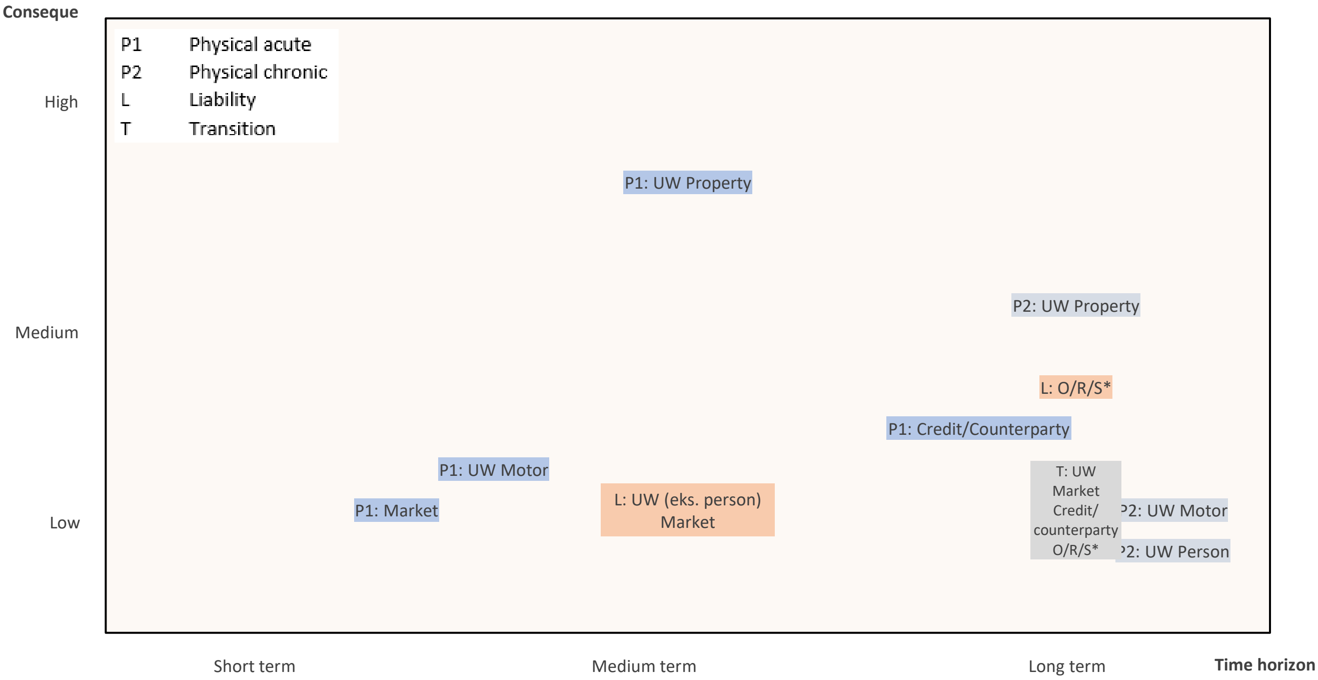
Table 5 on the next page presents the assessment of the potential climate-related risks sorted by estimated consequence (largest to smallest) and time horizon (shortest to longest).

Table 5 Assessment of potential consequences related to climate change

Type of risk	Risk area	Sub-type	Time horizon	Assessment
Physical	UW; Property	Acute	Medium	Product exposed to the risk of large losses (flood, windstorm). Given that majority of insurance contracts are renewed annually (opportunity for re-pricing), risk is estimated to peak in the medium run, before risk-reducing measures, e.g. new building standards are more wide-spread and start reducing potential consequences.
Physical	UW; Property	Chronic	Medium to long	Climate changes can lead to permanent changes in risk profile. Risk profile lower than acute UW Property risk due to implemented risk reducing measures, but a permanent increase from existing level. Price of reinsurance cover may increase due to reinsurers shielding own profitability.
Liability	Operational/ Reputational/ Strategic	NA	Medium to long	Increased litigation level can lead to increased investments in business to adjust operating model and mitigate negative effects on reputation. However, litigation practice in the branch would require time to develop thus enabling to observe the trend and implement the necessary adjustments to the operating model in a gradual manner. Exposure to potential consequences of physical risk through UW.
Physical	Credit/ Counterparty	Acute	Medium to long	Changes in climate could lead to an increase in large loss frequency. While in the short time reinsurers would have the capacity to absorb the losses in the branch, losses accumulated over time could have a negative effect even on A- or better rated reinsurers' capacity to absorb further losses and/ or willingness to provide cover at unchanged terms and conditions.
Physical	UW; Motor	Acute	Short to medium	Portfolio is exposed to regions forecasted to experience milder weather. While in the long term a decreased exposure to icy and snowy driving conditions is estimated to have neutral to positive effect on claims frequency, in the short term any changes in driving conditions would require an adjustment in driving skills/ behaviour, i.e. could lead to a temporary increase in claims frequency.
Physical	Market	Acute	Short	Investments portfolio is proactively underwritten and has a limited direct exposure to acute physical risk. Underwriting model would be updated for any new factors based on observed trends and would result in exclusion of vulnerable investments.
Liability	UW; ex personal	NA	Medium	It would take time to develop litigation practice in the branch. This combined with annual insurance contracts that Protector underwrites would provide with an opportunity to adjust insurance price and/ or insurance terms and coverage.
Liability	Market	NA	Medium	Investments portfolio is proactively underwritten using underwriting model. Underwriting model would be updated for any new factors based on observed trends and would result in exclusion of vulnerable investments. It assumed that liability risk would take longer time to materialize compared to physical risk.
Transitional	UW, market, credit/ counterparty, Operational/ Reputational/ Strategic	NA	Medium to long	Scenario 8,5 assumes no major large changes in regulatory requirements, therefore total transitional risk is assessed to be low.
Physical	UW, Motor	Chronic	Long	Climate changes can lead to permanent changes in risk profile. While adjustment in driving skills/ behaviour due to milder weather (see acute Motor risk) mitigates risk, inherent risk could remain at higher level compared to today's levels, e.g. car parks being washed away by floods due to increase in rainfall.
Physical	Personal	NA	Long	Physical risk in this scenario is understood as risk for increased harm to health (e.g. illness) other than direct damage from weather-related events. The potential risk is assessed to take long time to materialize with low consequence. Pandemic risk excluded from cover unless regulated by law.

Graphical summary of potential climate-relate risks is provided in Figure 5.

Figure 5 Assessment of potential consequences related to climate change



* Operational/Reputational/Strategic risk

Climate-related activities is a part of the company's ESG strategy.

Protector's underwriting is based on analysis, data, modern tools, on-site inspections and loss prevention. The company's tools and methods take climate risk into account, for example by assessing the risk of storms and floods. In more vulnerable areas, such as the UK, a comprehensive 8-step process is used to carefully understand and manage the current climate risk in order to get a correct picture of relevant climate risk and avoid the biggest risks.

The company evaluates portfolio's climate risk on a quarterly basis and takes this into account through reinsurance. Protector uses recognized tools and methods such as AIR and RMS in our climate risk evaluation. The company's reinsurance now covers an estimated 1-in-10 000-year event.

Protector has an annual review of which products and associated terms are to be offered to the market. This is based, among other things, on input from the company's reinsurance broker, customers, industry organizations and own claims data in order to develop insurance products that take climate risk into account, give Protector's customers incentives to implement climate resilience measures and provide financial protection in the face of climate change.

The most effective climate-related measure for a non-life insurance company is to prevent damage for occurring. Loss prevention is central to Protector and the company's commitment to climate efficiency. Protector conducts inspections before giving prospective customers a quote, current customers are inspected and post-loss investigations are undertaken to help reduce the likelihood of repeat losses. Customers receive case-specific bespoke risk management proposals to address any concerns identified. As a part of continuous development, the company develops systems to further improve data quality. More precise exposure and damage data allow the company to capture trends in damage picture earlier both at aggregated level and per customer, and Protector can implement targeted loss prevention measures quicker.

The company has identified the greatest potential reduction in its climate footprint in property and auto, and works closely with its suppliers to increase share of reusage and recycling in reparations, as well as increase usage of climate-friendly materials and processes in reconstruction. Within property, approximately 80 % of our claims payments are larger than TNOK 1 000. Protector Forsikring is therefore dedicated to using independent and skilful claims appraisers not only for claims appraisal but also for following up that reparations and construction of new buildings are carried out in accordance with all mandatory regulations, including EHS and climate-directed restrictions.

Responsible investments is an integrated part of the company's investment strategy. Investment guidelines define exclusions from investment universe based on business type and/ or business actions, and Protector Forsikring shall among other things not invest in companies responsible for or contribute to serious environmental damage.

For more information about the company's work related to climate and climate change, please see Protector Forsikring's annual report for 2021 which is available at the company's home page www.protectorforsikring.no.

C.1 Underwriting risk

Underwriting risk represents the risk directly related to the insurance business. This includes the risk that premium payments will not sufficiently cover future claims and related costs, and the risk that reserves will not be sufficient to cover costs related to claims already incurred. Additionally, it includes the risk of extraordinary events like catastrophe scenarios and lapse risk.

The company assesses underwriting risk individually through underwriting process before an agreement with a customer is concluded. Continuous follow-up of development in profitability is carried out, including calculation and assessment of technical provisions.

Assessment of catastrophe risk is an important part of the company's risk management. The company's exposure to large risks is assessed against current reinsurance program in order to ensure that exposure to catastrophe risk is within defined framework.

Lapse risk is assessed not to be a significant risk for the company as the company underwrites insurance of business and public customers. The agreements are normally termed contracts, running until maturity unless extraordinary circumstances arise giving right to terminate contracts prematurely.

The company does not underwrite life insurance (with the exception of one-year risk products), but a part of claims reserves is annuities reserves related to health and non-life insurance products. Annuities reserves are classified in a module for life insurance and health insurance similar to life.

All business areas are reviewed on a regular basis according to internal reporting routines. Profitability within different lines of business and segments is assessed, and measures are implemented if certain lines of business/ segments are assessed not to contribute with adequate expected future profitability.

Courses and training in claims-reducing measures are carried out by the company's initiative. The company uses reinsurance largely to reduce risk. Reinsurance is used primarily within liens of business which are estimated to be most exposed to large claims. There are reinsurance agreements in place for all lines of business, limiting loss potential for catastrophic scenarios. Assessment of adequacy of the company's reinsurance programs is carried out at least annually.

The company is exposed to natural catastrophe events in Norway proportional to the company's market share of fire insurance amounts. The company's geographical concentration of exposure in Norway has therefore little significance for the company's natural catastrophe risk. The company participates in the reinsurance program of the Norwegian Natural Perils Pool.

The company also ensures that assets are sufficient to cover liabilities at all times. It is not desirable to expose insurance liabilities to unnecessary currency risk, therefore investments portfolio is calibrated on a quarterly basis.

Solvency capital requirement for insurance risk was TNOK 2 292 048 per 31.12.2021 whereof capital requirement for non-life underwriting risk was TNOK 1 653 407, for health underwriting risk was TNOK 637 567 and for life underwriting risk was TNOK 1 074. Underwriting risk is primarily distributed between premium and reserves risk as well as catastrophe and lapse risk.

C.2 Market risk

Protector Forsikring is exposed to market risk: risk of loss in the market value of investment portfolio as a result of fluctuations in share prices, interests, credit spreads, exchange rates, property prices, prices of commodities and energy, and changes in technical provisions as a result of change in interest rates.

Protector Forsikring manages its investment according to "prudent person's" principles and within the quantitative framework defined in the investment management mandate approved by the Board of Directors. Requirements are defined among other things for exposure limits in the portfolio per assets class, individual issuers and rating. Investments portfolio is managed with respect to currency mix, and foreign exchange forwards are used for adjustment of currency mismatch between commitments and investment assets if needed.

Individual investments are analysed and assessed using defined criteria before investment decision is taken. Development in the market value and compliance with the quantitative requirements defined in the investments management mandate are monitored and reported on a regular basis. Capital requirement for market risk is calculated quarterly or in case of significant changes in risk profile.

Protector Forsikring uses put options in equities portfolio for further management of market risk related to the investments portfolio.

At the end of 2021 net investment portfolio totalled NOK 14,3 billion compared to NOK 13,5 billion a year ago. Per 31.12.2021 NOK 1,7 billion was invested in bond funds and the remaining portfolio was managed internally. Share of investments in equities was 15,1% of the total investment portfolio and interest-bearing investments constituted 84,9% at the end of 2021. Total credit risk in the portfolio is assessed at A- per 31.12.2021.

Protector Forsikring's exposure to market risk comprised mainly exposure to equities, spread, concentration and currency risks per 31.12.2021. Total capital requirement for market risk was TNOK 971 190.

C.3 Credit risk

Credit risk is the risk of a rated counterparty defaulting on its commitments. Counterparty risk module covers exposure that is not covered in the spread risk module within market risk.

Protector Forsikring is exposed to counterparty risk mainly in connection to is reinsurance programs and bank deposits. The company has a minimum rating requirement for its reinsurers and bank in order to reduce risk related to counterparty risk. The company works with reinsurers which have a solid rating from internationally acknowledged rating agencies. Before contracts are concluded Protector Forsikring assesses business partners on an individual basis. Protector Forsikring's bank has a solid rating from various acknowledged rating agencies. Bank rating is monitored on a regular basis. Summary of risk assessment in relation to the company's defined limits is reported on a regular basis.

Capital requirement for counterparty risk was TNOK 93 718 per 31.12.2021.

C.4 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its running commitments and/or to finance changes in the allocation of assets without incurring substantial additional costs in the form of a price decrease of assets that need to be realized (sold) or in form of an extra expensive financing. Liquidity risk is normally limited in non-life insurance companies. Premium income is paid in advance, and claims are paid out at a later point of time.

Protector Forsikring has routines for management of daily cash flows in order to manage and optimize liquidity. Liquidity management in a longer run is based on long-term strategic planning with respect to earnings, development of balance composition and solvency projections. The company manages its assets with respect to requirement for security, liquidity and risk diversification.

In case of large claims pay-outs are settled with reinsurers continuously. Further the company has allocated a part of its investments in liquid assets with high quality which provides possibility to cover larger unplanned pay-outs. In order to manage liquidity in a longer run Protector Forsikring has prepared a list of management actions to raise additional financing if needed.

Liquidity risk is not quantified in Solvency II calculations of capital requirement.

C.5 Operational risk
Operational risk is the risk of losses as a result of insufficient or failing internal processes or systems, human errors or external events.

All managers in the company have responsibility for identification and management of operational risk in their own area of responsibility. Main risk factors are identified, assessed and reported on a regular basis through established processes and procedures. Internal control report identifying main risks based on probability and consequence at company level is prepared at least annually based on internal control processes. With these processes and procedures as a starting point, risk-reducing measures are implemented if needed and followed up in connection with the established reporting routines. Significant deviations are registered in the deviations management database and are followed up on a regular basis.

Solvency capital requirement calculated under Solvency II rules constituted TNOK 261 107 per 31.12.2021

C.6 Other material risks
The company has not identified other significant quantifiable risks in 2021.

C.7 Any other information
All significant risks related to the company's business are deemed described above.

D. Valuation for Solvency Purposes

The company's Solvency II balance is valued at market value, ref Solvency II Directive 2009/138/EC article 75, 1(a) and (b) with respect to requirement for valuation of:

- technical provisions as specified in article 76-81;
- assets and liabilities other than technical provisions as specified in Delegated Regulation 2015/35, article 9-16.

Guarantee scheme for Solvency II reporting purposes is reported according to 19.06.2014 clarification from the Norwegian Financial Supervisory Authority.

The company's assessment is that statutory balance mainly consists of assets and liabilities accounted for at market value with exceptions as described below. Need to change valuation methods and need to take into account any clarifications and/ or feedback from the Norwegian Financial Supervisory Authority is assessed at every reporting.

D.1 Assets

Summary of the company's Solvency II balance compared to statutory balance is provided in Table 6.

Table 6 Overview of the company's assets in Solvency II and statutory balance per 31.12.2021

Assets	Solvency II	Statutory accounts
Total assets, whereof:	**18 824 861**	**19 246 276**
Intangible assets	0	77 465
Investments	14 330 721	14 302 545
Reinsurers' share of gross technical provisions	3 037 283	3 423 288
Other assets	1 456 856	1 442 978

The company's investment portfolio constituted the largest share (76%) of the company's total assets. Investments accounted for at fair value in statutory accounts are transferred to Solvency II balance. Investments in associated companies, which are accounted for using equity method in statutory accounts, are recalculated at market value in solvency balance.

Reinsurers' share of the company's technical provisions constituted 16% of total assets. Solvency II value of reinsurers' share of technical provisions deviates from statutory values due to recalculation of these to market value by discounting and with respect to expected profit in future premiums, ref Solvency II Directive, Article 81. Reinsurers' share of gross technical provisions with volatility adjustment equal to zero is TNOK 3 079 526

Other assets in Solvency II balance includes among other things own shares accounted for at market value. Market value of own shares was TNOK 13 879 per 31.12.2021

Intangible assets have 0 Solvency II value, ref Delegated Regulation 2015/35, article 2, pct 2.

D.2 Technical provisions

Best estimate of claims provisions is equal to claims provisions for own account at valuation date as follows from «Best Estimate» valuation. In connection to Solvency II valuation of claims provisions, provisions are discounted on the basis of expected line of business-specific run-off pattern and relevant interest rate yield curve for different countries/ currencies where the company has claims provisions. As a starting point regulatory framework allows also for a different valuation of nominal amounts. This has been discussed but assessed that there is a direct relationship between expected values and amounts accounted for in statutory accounts so that no other adjustments of claims provisions than discounting are taken.

It is assumed that statutory claims provisions including unallocated loss adjustment expenses (ULAE) will be adequate for covering liabilities related to claims payments and claims handling costs for claims incurred at calculation date. Volatility adjusted risk free interest rate curve is applied per 31.12.2021. It is assumed that interest yield curves are adequate and provide a correct picture of future inflation. The effect of the volatility adjustment is provided in chapters D1, D2, E1, E2. The same payments pattern as used for calculation of claims provisions is used for discounting.

Uncertainty related to claims provisions comprises mainly assumptions about future run-off patterns. The same line of business-specific run-off patterns are used both for valuation in statutory accounts and for discounting for solvency purposes. For individual lines of business the company has no sufficiently long run-off history for estimation of future run-off pattern based on own experience only. This is especially the case for “new” lines of business or lines of business in “new countries” where estimated future run-off pattern is estimated primarily based on publicly available or aggregated collected claims statistics. Alternatively, future run-off pattern is assumed to be corresponding to experienced run-off patterns in Scandinavia until own experience-based material is assessed to be sufficient.

Best estimate of premiums provisions is calculated per Solvency II line of business by using calculation method taking into account future premiums (which include unearned premiums and other future premiums that the company has committed itself to) and expected future claims and costs that are related to these premiums. This results in premiums provisions being significantly lower in Solvency II valuation than statutory valuation where technical premiums provisions are equal to unearned premium.

It is assumed that the company’s estimate of future claims and costs form a realistic view of the future in valuation of premiums provisions.

Uncertainty related to premiums provisions comprises mainly assumptions about expected future profitability (combined ratio) which is estimated per line of business. Even if uncertainty related to estimated combined ratio at company’s level is lower, uncertainty is significant per line of business which may be of essential importance in valuation of premium provisions for solvency purpose.

Risk margin is calculated by calculating future SCR given a hypothetical run-off of the company, for every year until all claims are expected to be fully paid, and capital cost related to having capital requirement for the company in run-off, given a 6% cost of capital.

Uncertainty related to risk margin comprises both assumptions about future run-off patterns and assumptions about future expected profitability, with assumption about future run-off pattern estimated to have the largest significance.

Risk margin is calculated for solvency purpose and does not exist in in statutory accounts.

Overview of net claims and premiums provisions and risk margin is provided in Table 7.

Table 7 Net provisions for claims, premiums and risk margin per line of business per 31.12.2021

	BE reserves, net		Risk margin
Insurance class	**Claims**	**Premiums**	
Medical expenses	312 376	19 388	18 605
Income protection	505 812	35 268	26 180
Workers' compensation	814 669	-118 708	59 209
Motor vehicle liability	974 880	280 342	74 698
Other motor	151 332	128 646	14 714
Marine, aviation and transport	6 636	-1 490	379
Fire and other damage to property	1 461 543	455 641	68 514
General liability	938 388	189 481	101 344
Miscelaneous financial loss	455	-903	36
Annuities from non-life insurance related to health	319 345	0	38 892
Annuities from non-life insurance related to non-life	24 520	0	1 057
Life insurance	116 605	47 864	1 542
Total	**5 626 561**	**1 035 529**	**405 170**

Total net best estimate with volatility adjustment equal to zero is TNOK 6 711 787.

Total difference between net Solvency II claims provisions and claims provisions in statutory accounts was TNOK 167 803. Expected profit in future premiums was in total TNOK 292 232 per 31.12.2021.

Receivables stemming from reinsurance agreements constitute of difference between technical provisions at gross level and technical provisions calculated for own account and are assumed to apply to technical claims and premiums provisions, and not relevant for risk margin.

Amount receivable in accordance with reinsurance agreements for claims was TNOK 3 017 326 per 31.12.2021. Amount receivable in accordance with reinsurance agreements for premiums was TNOK 19 957 per 31.12.2021.

D.3 Other liabilities

Table 8 provides an overview of other liabilities with valuation different from statutory balance.

Table 8 Overview of other liabilities per 31.12.2021

Other liabilities	Solvency II	Statutory accounts
Total liabilities, whereof:	**15 097 066**	**15 664 146**
Reinsurance payables	2 265 582	2 435 642
Subordinated debt	1 404 045	1 384 664
Other liabilities	1 095 918	1 032 848
Deferred tax	153 594	121 582

In Solvency II valuation of liabilities related to reinsurance the liabilities are discounted in line with expected branch-specific run-off patterns for corresponding claims reserves and relevant interest rate yield curves for different countries/currencies.

Issued subordinated loans are accounted for at amortized cost in statutory accounts and reported at market value in Solvency II balance.

Other liabilities include among other things guarantee scheme which is reclassified from shareholders capital to liabilities ref 19.06.2014 clarification from the Norwegian Financial Supervisory Authority.

Deferred tax is assessed to be accounted for at market value as a starting point and is then adjusted as a result of differences between statutory and Solvency II values.

D.4 Alternative methods for valuation

The company does not use alternative valuation methods.

D. Any other information

All significant information is deemed provided above.

E. Capital Management

E.1 Own funds

The main purpose of capital management is to support the strategy of Protector Forsikring and ensure that the company is well capitalized in order to resist downturn in macro economy and/ or downturn in the company's business. Protector Forsikring's capital projections are based on company's 3-year strategic plans and are updated on a regular basis as a part of the company's ORSA process. Overview of the company's available and eligible capital for coverage of solvency capital requirement and minimum capital requirement per 31.12.2021 and 31.12.2020 is provided in Table 9.

Table 9 Overview of available and eligible capital

Available own funds to meet the SCR and MCR	31.12.2021	31.12.2020
Tier 1 - unrestricted	2 792 448	2 462 858
Tier 1 - restricted	493 348	349 734
Tier 2	1 008 445	1 212 838
Total available solvency capital to cover SCR and MCR	4 294 241	4 025 429
Eligible own funds to meet the SCR		
Tier 1 - unrestricted	2 792 448	2 462 858
Tier 1 - restricted	493 348	349 734
Tier 2	1 008 445	1 001 427
Total eligible capital to cover SCR	4 294 241	3 814 019
Eligible own funds to meet the MCR		
Tier 1 - unrestricted	2 792 448	2 462 858
Tier 1 - restricted	493 348	349 734
Tier 2	187 296	180 257
Total eligible capital to cover MCR	3 473 092	2 992 848

Total available capital was TNOK 4 294 241 per 31.12.2021 compared to TNOK 4 025 429 year before. Earnings for the period are offset by dividend, while change in discounting rates and reinsurance agreement for workers' compensation portfolio in Norway and Denmark had a positive effect.
NOK 10 dividend per share (NOK 3 special dividend for 2020 and NOK 7 ordinary dividend for 2021), in total TNOK 823 720, is subtracted from Tier 1 unrestricted capital.

The company has, in Q1 2021, called back a subordinated loan in Tier 2 capital with a nominal value of TNOK 231 000. In Q4 2021, the company issued a subordinated loan in Tier 1 with restriction capital group with a nominal value of TNOK 350 000 and bought back TNOK 208 000 at nominal value of the existing subordinated loan in Tier 1 with restrictions capital group.

Protector Forsikring had no Tier 3 capital per 31.12.2021. In case the company incurs a significant economic loss this will give rise to a deferred tax asset. The deferred tax asset would be utilized given that the company will continue as going concern after the incurred loss. In most of cases the deferred tax asset could be classified as Tier 3 capital and used in calculation of solvency capital with the limitations which are defined in the solvency regulatory framework.

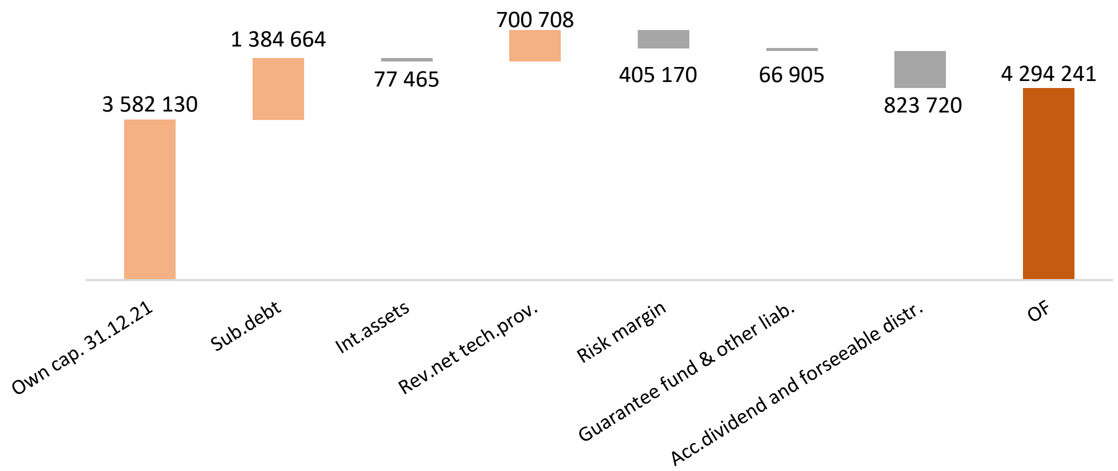
Table 10 shows available and eligible capital with volatility adjustment equal to zero.

Table 10 Overview of available and eligible capital with volatility adjustment equal to zero

Solvency capital	31.12.2021	31.12.2020
Available own funds to meet the SCR and MCR	4 225 204	3 952 035
Eligible own funds to meet the SCR	4 225 204	3 743 763
Eligible own funds to meet the MCR	3 404 496	2 920 019

Figure below provides reconciliation between the company's shareholders equity and Solvency II capital.

Figure 6 Overview of Solvency II capital compared to shareholders equity in statutory accounts



Main differences arise due to:

- Difference in valuation of assets and liabilities in Solvency II balance compared to statutory accounts as described above;
- Inclusion of subordinated debt as capital available for covering of solvency capital requirement and minimum capital requirement.
- Dividend which is taken into account in solvency capital calculation per 31.12.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Overview of the company's solvency capital requirement and its composition and minimum capital requirement calculated using standard formula per 31.12.2021 and 31.12.2020 is provided in Table 11.

Table 11 Composition of Solvency II capital requirement and minimum capital requirement

Solvency capital requirement (SCR)	31.12.2021	31.12.2020
Total market risk	971 190	843 072
Total counterparty default risk	93 718	102 368
Total life underwriting risk	1 074	1 198
Total health underwriting risk	637 567	989 659
Total non-life underwriting risk	1 653 407	1 468 235
Diversification	-1 025 437	-1 137 872
Basic Solvency Capital Requirement	2 331 519	2 266 660
Total capital requirement for operational risk	261 107	255 760
Loss-absorbing capacity of deferred taxes	-511 558	-519 565
Total solvency capital requirement	**2 081 068**	**2 002 854**
Minimum capital requirement		
Totalt minimum capital requirement	**936 480**	**901 284**

Protector Forsikring does not use any simplifications nor any company-specific parameters for calculation of solvency capital requirement.

Loss absorbing capacity of deferred taxes reduces solvency capital requirement. Loss absorbing capacity of deferred taxes can be compared to deferred tax assets in financial accounts which arise due to economic loss. The company has prepared a plan for measures to strengthen solvency margin so that the company can continue as going concern in a stressed situation. Future earnings next five years after stress have to be of such amount that the company can utilize of the benefit which loss absorbing capacity of deferred taxes represent. In calculations of future earnings an investment portfolio with lower risk profile is assumed, with unchanged insurance risk profile. The company's calculations indicate future earnings that are sufficient to utilize tax loss carry-forward and have tax effect at least equal to the calculated loss absorbing capacity of deferred taxes.

The company uses applicable solvency capital requirement for calculation of lower and upper boundaries for minimum capital requirement. For calculation of minimum capital requirement for non-life insurance, including health-related insurance, written premiums for own account per line of business during last 12 months before reporting date are used as well as best estimate for claims provisions for own account per line of business at reporting date. Each of these amounts are multiplied by defined percentage parameters, and sum yields minimum capital requirement based on premium income and claims provisions for non-life insurance, including health-related insurance. In addition, minimum capital requirement is calculated for lines of business defined as life insurance (group life and annuities related to health and non-life insurance). Calculation of the component related to life insurance includes best estimate of claims provisions for own account at reporting date and the total risk sum at reporting date. Risk sum is the amount which the company will pay in case of death of the insured, reduced by receivables in accordance with the company's reinsurance agreements. Each of these amounts are multiplied by defined percentage parameters, and sum yields minimum capital requirement for life insurance (limited within lower and upper boundaries for minimum capital requirement).

Total solvency capital requirement per 31.12.2021 was TNOK 2 081 060 compared to TNOK 2 002 854 year before. An increase in the capital requirement as a result of growth in the company's premium income was reduced by the reinsurance of workers' compensation portfolio in Norway and Denmark.

Table 12 shows solvency capital requirement and minimum capital requirement with volatility adjustment equal to zero.

Table 12 Overview of solvency capital requirement and minimum capital requirement with volatility adjustment equal to zero

Capital requirement	31.12.2021	31.12.2020
Solvency capital requirement	2 085 954	2 009 133
Minimum capital requirement	938 679	904 110

E.3 Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company does not use duration-based submodule for equities risk in calculation of solvency capital requirement.

E.4 Differences between the standard formula and any internal module used

The company does not use internal models.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The company complies fulfils minimum and solvency capital requirement.

E.6 Any other information

All significant information about the company's capital per 31.12.2021 is deemed provided above.