

# Protector Forsikring ASA

Mid-quarter update | March 23rd 2022



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# Protector Forsikring ASA

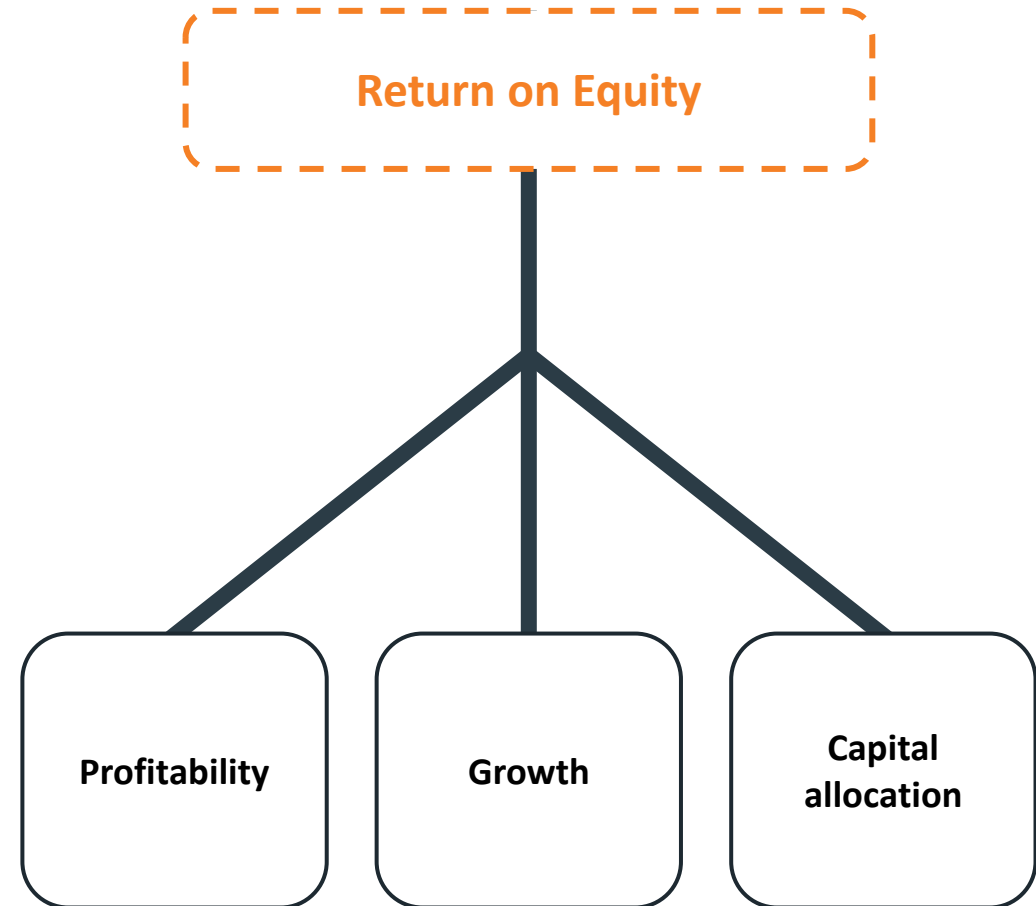
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# Historical to date success story

## The Challenger in the Nordics and UK

- HTD combined ratio at 93.5% - 90-92% long-term target
- Cost leadership within our core markets
- Geographic diversification, reaching critical mass in 4 out of 5 countries
- UK running on target – optimistic and cautious
- Growing organically from 0 to 6 bnNOK in premiums
- HTD strong investment return relative to Nordic peers



# Culture eats strategy for breakfast

Cost and quality leadership should lead to profitable growth and a top 3 position

## Strategy

- Broker distribution only
- USP: easy to do business with, commercially attractive and trustworthy
- Competitive prices (supported by cost leadership)
- Market segments – public sector, commercial and affinity
- All Property and Casualty products

## Our DNA

### Vision

The Challenger

### Business Idea

This will happen through unique relationships, best in class decision-making and cost effective solutions

### Main targets

Cost and quality leadership

Profitable growth

Top 3

### Values

Credible

Innovative

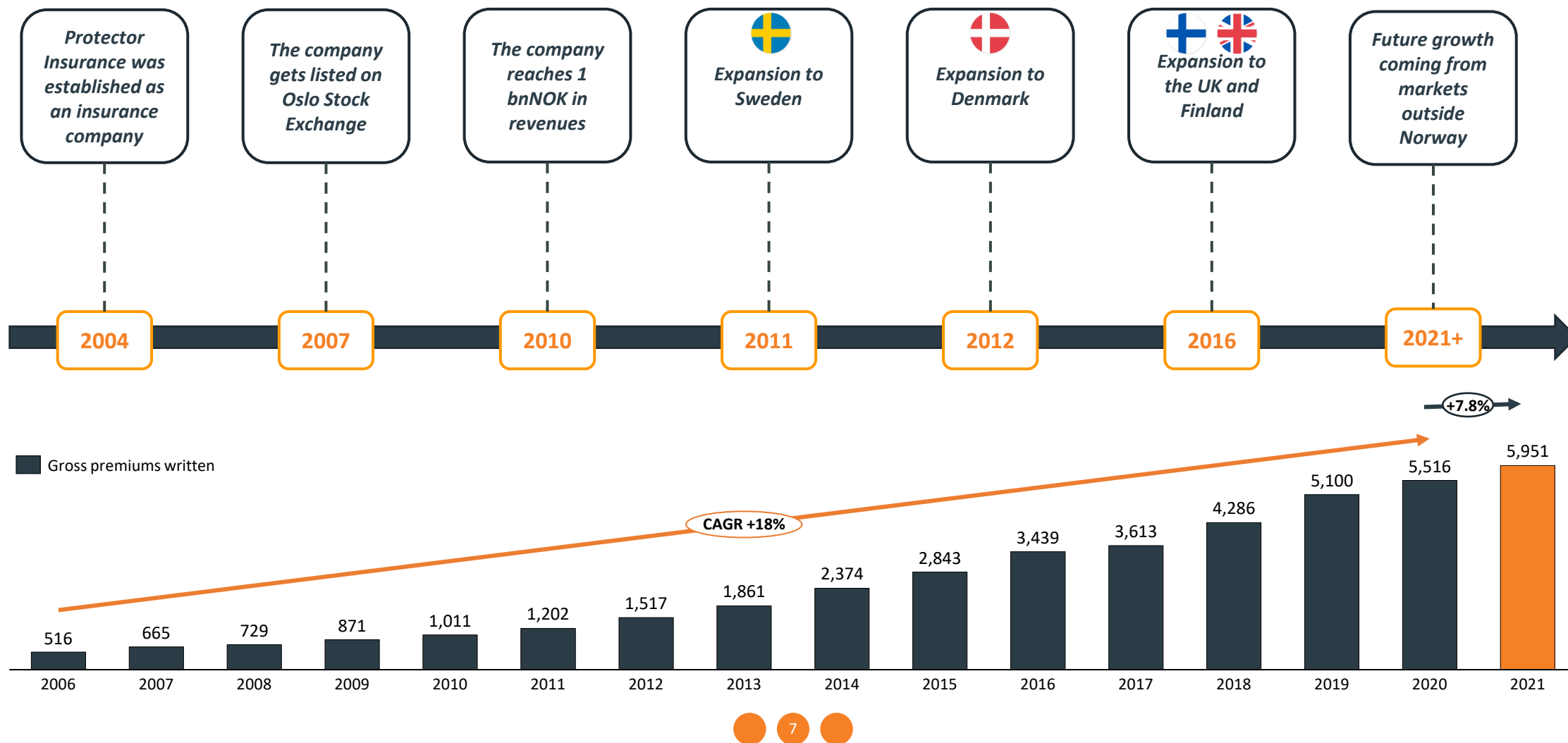
Bold

Committed

# Organic growth from 0 to 6bnNOK

Balancing risk-taking and discipline

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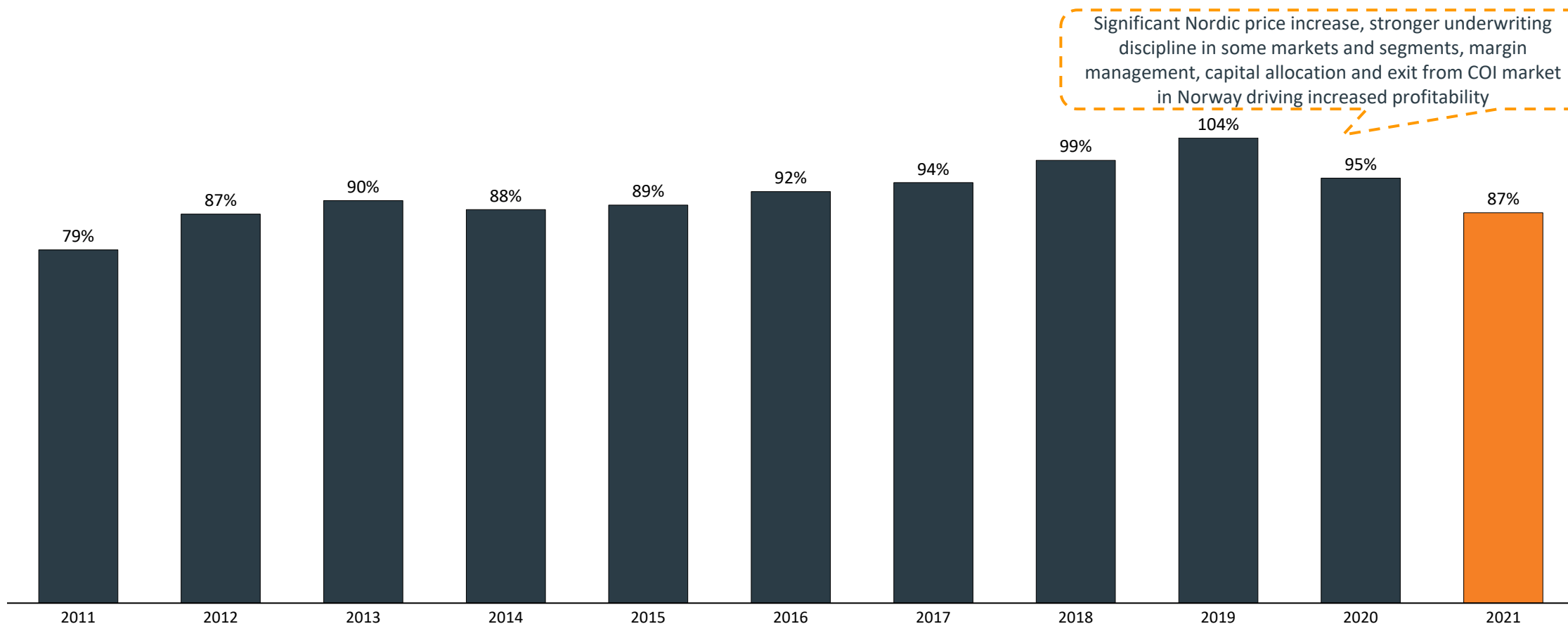


# Profitability back on track

Premium increases and de-risking

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## Development in net combined ratio



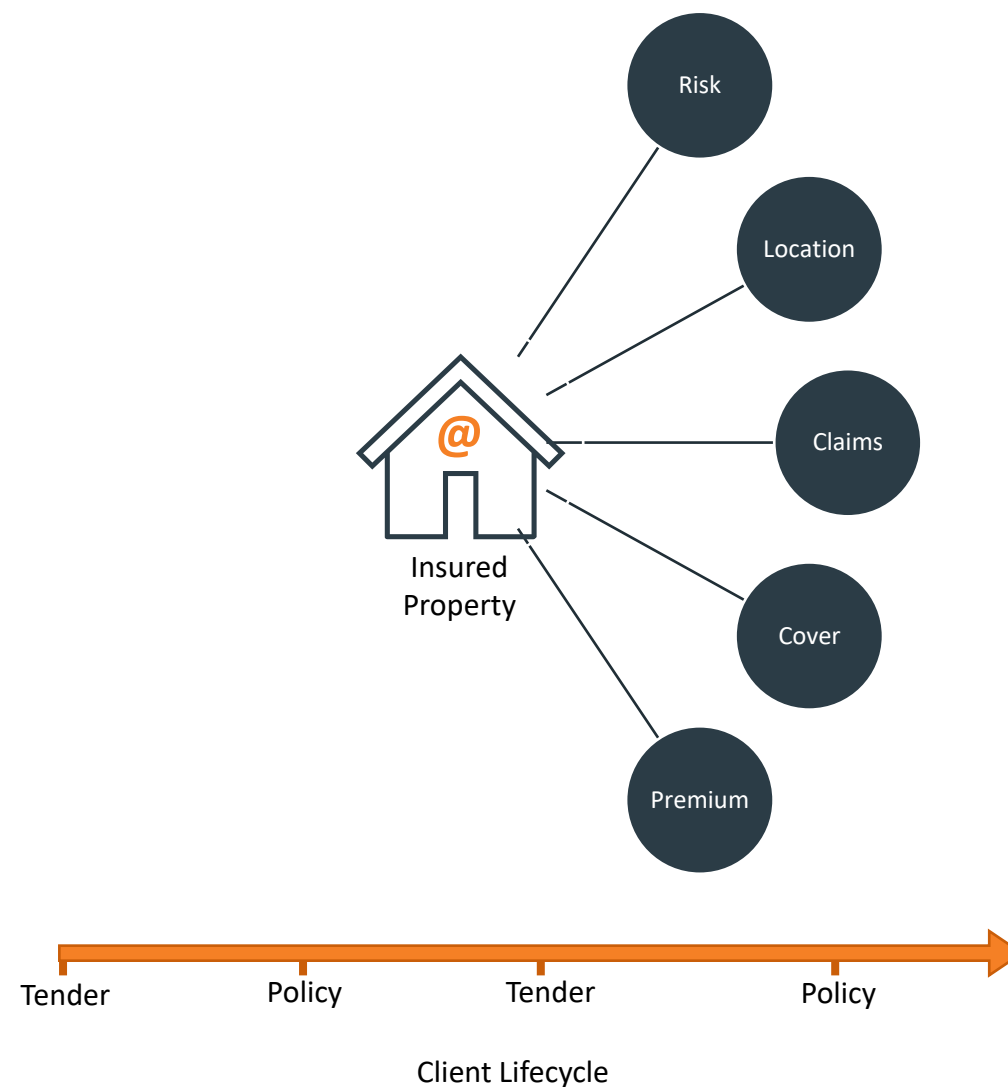


# Introducing F@CT

## Developing Core systems for data quality

- F@ct structure deliver:
  - Cover in structured, reportable format enabling
    - Control of risks on cover
    - Profitability analysis
    - Claims handling process
    - Easier policy admin > better quality service
    - Quality in Reinsurance application
- F@ct structure supports:
  - Next level insurance systems – driven by data granularity and validations
    - Endless possibilities for process support and connections of attributes

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# F@CT Deliveries 2021

## Data quality is Risk Management

### Policy and Contract

**Objective:** 100% data quality on insured interests, covers, limits and deductibles

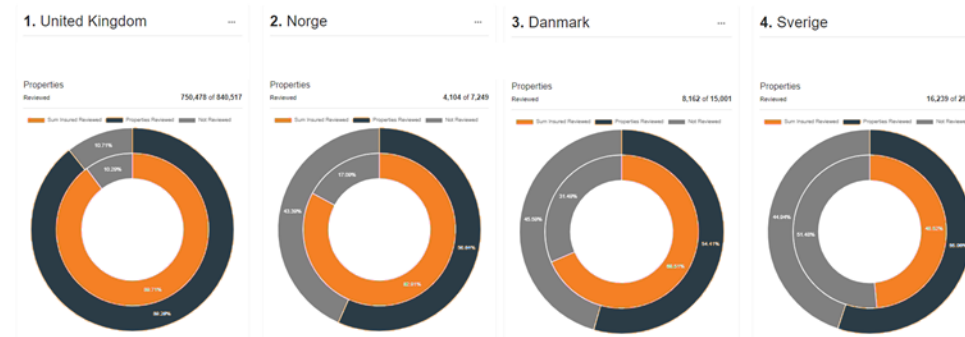
- Public goes first
- All information on structured format
- Great groundwork for future products

Country	Segment	FACT % GWP	FACT % # policies
UK	Public	57 %	61 %
UK	Commercial	22 %	23 %
NO	Public	100 %	100 %
SE	Public	20 %	18 %
SE	PS Housing	24 %	25 %
DK	Public	10 %	17 %
DK	PS Housing	%	0 %

### Address Data Quality

**Objective:** Control on Risk in existing portfolio

- Data cleaned by machine learning and manual review.
- Approx. 850.000 property addresses reviewed
- Going forward:
  - Integrate into all UW processes
  - Culture and discipline



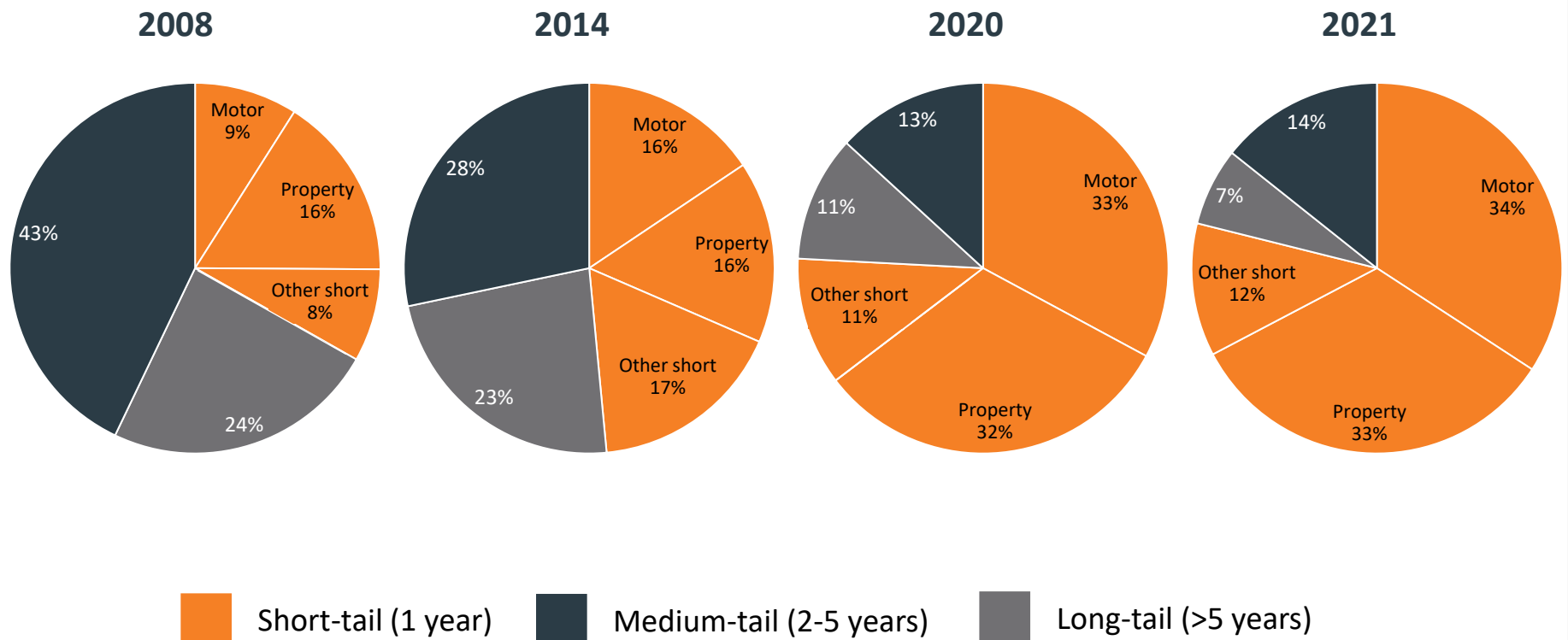
# Product mix development<sup>(1)</sup> – shifted towards short tail

Reduced risk profile and reduced capital consumption

## Comments

- Short tail from 34% in 2008 to 79% in 2021
- Long tail attractiveness decreasing with declining interest rates
- Average capital consumption per GWP in current portfolio at 33% vs 45% in 2014

## Increased exposure towards short tail over the years





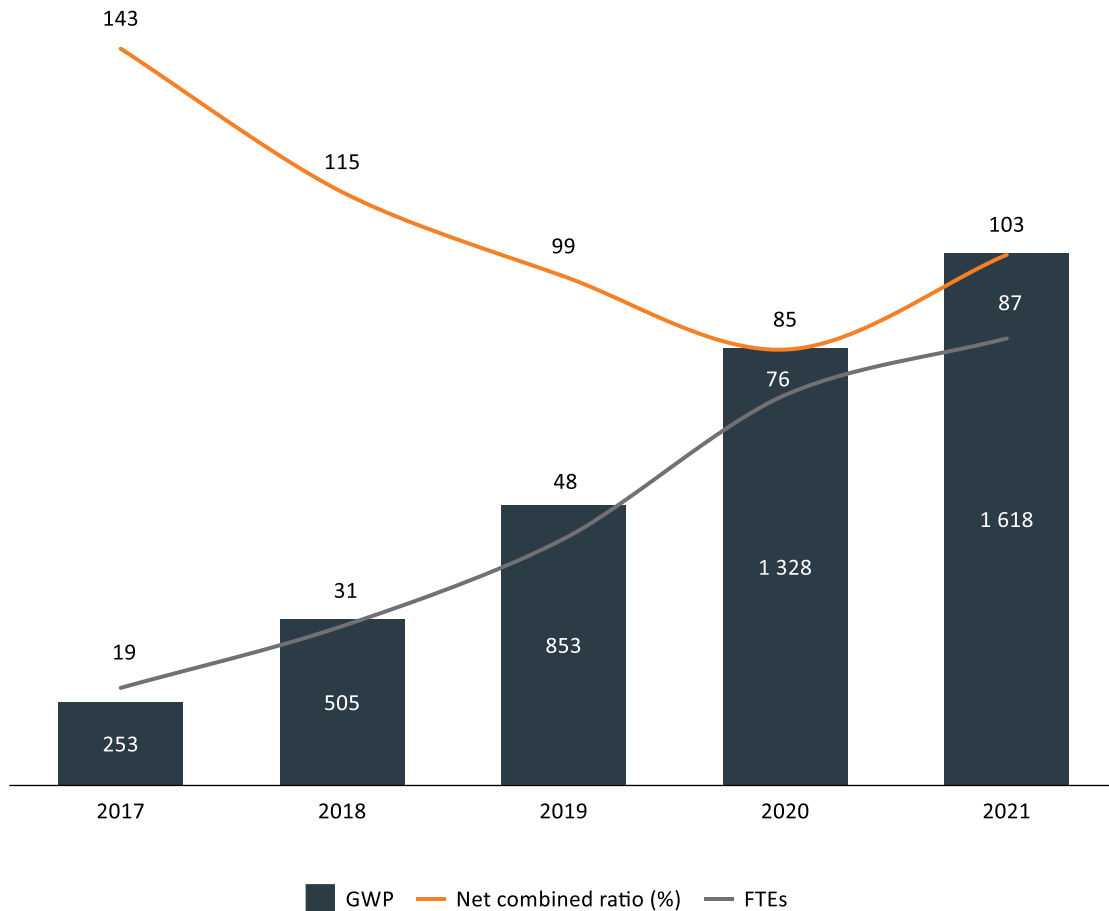
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# A disciplined Team journey

On target – optimistic & cautious



- Culture is key
  - Up-front investment in people for future
- Quality leader 5th time running
- Profitability impacted by large losses (LL) in 2021
  - Underlying profitability is within the expected range for the UK
- Disciplined growth
  - Selective Underwriting – under constant review
- Critical mass approaching
  - Early focus upon costs/scale

# Culture is key

## One Team UK

- Circa 90 employees - fully operative whilst working from home
  - 2 days WFH, 3 days in the office
  - Manchester & London – operate as 'One Team'.
- Cultural Lead 2020 & 2021
  - A first in Protector's history
- Management team, growing in strength and numbers with strong succession planning
- #1 (far ahead of #2) in the Broker Satisfaction Index (BSI)
  - 5th consecutive year
  - Supported by external surveys



Overall satisfaction (ranked out of 18)

1	Protector	7.7
2	Insurer 34	7.6
=3	Insurer 21	7.5
=3	Insurer 38	7.5
=5	Insurer 4	7.3

Retail Tier 2  
average: 6.9



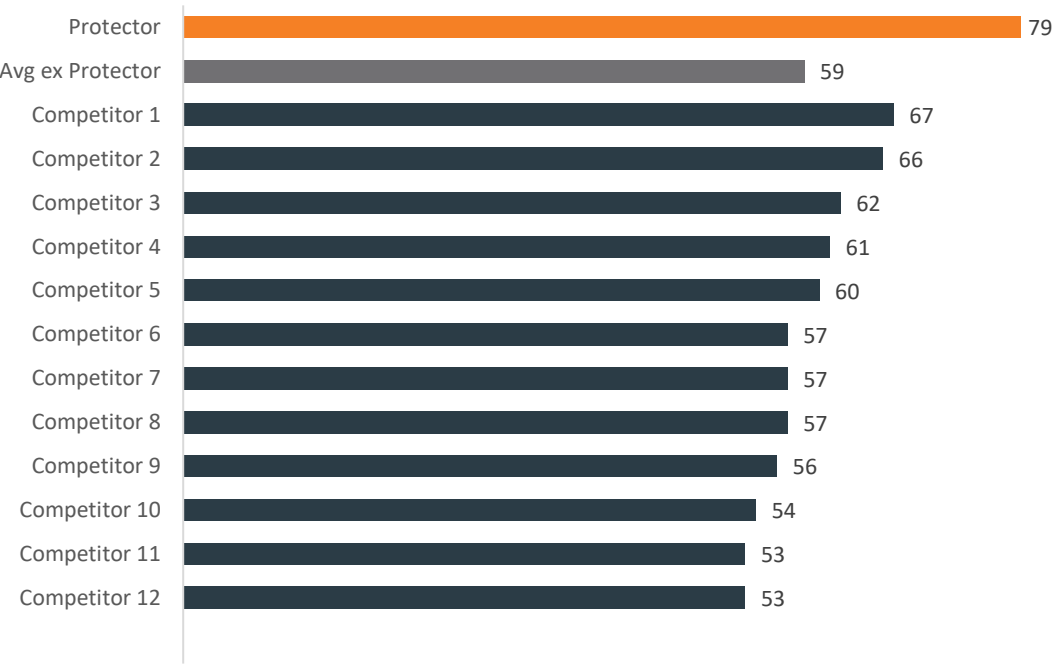


# BSI Results 2021

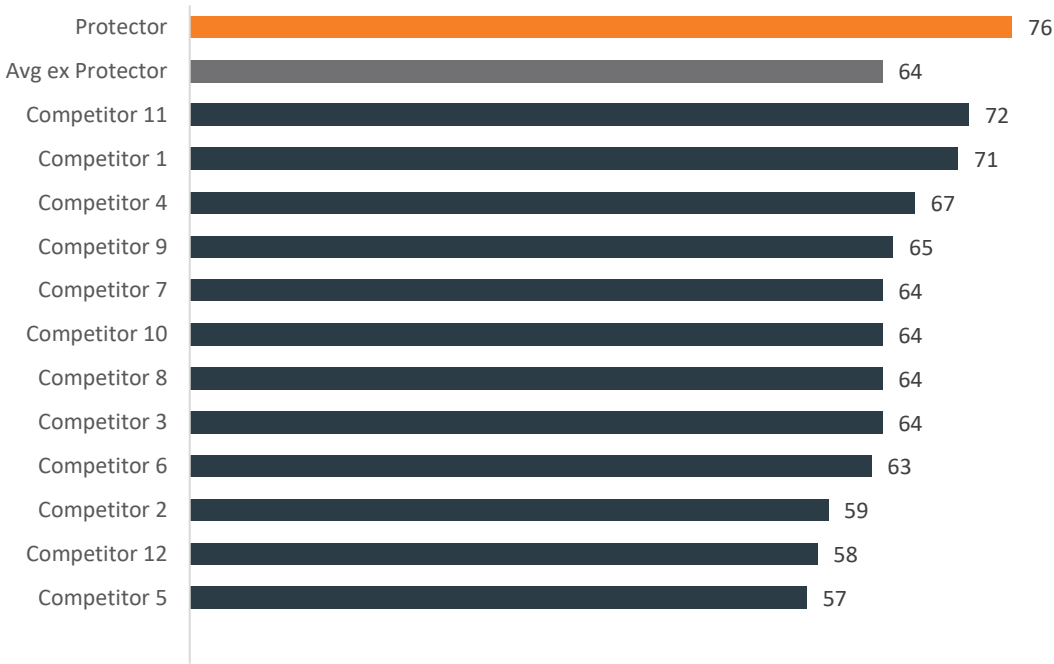
Number 1 Service Provider 5<sup>th</sup> year running



Totality

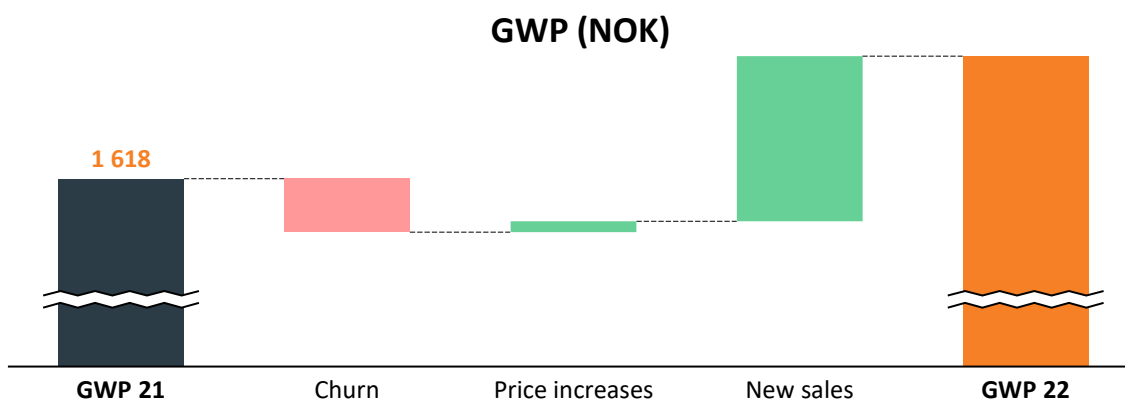
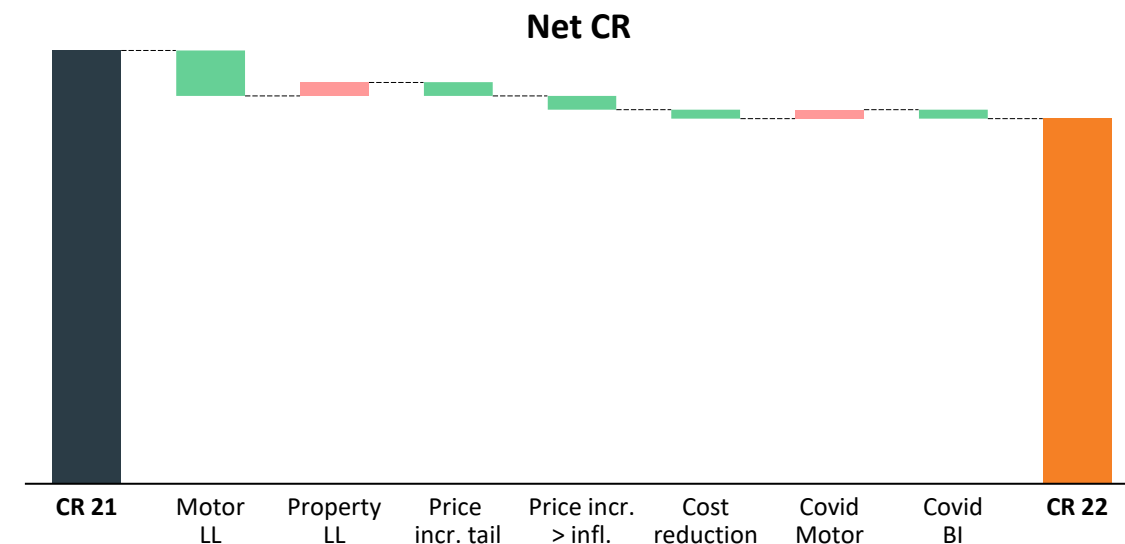


Claims



# Back to profitable growth in 2022

Challenging market, but positive growth outlook



- 2021 was worse than history / benchmarks for LLs
  - It will normalise
- Residual impact of 2021 rate improvement & inflation
- Cost improvements = scale & efficiency
- Churn adjusted for market dynamics
- Rate strength will continue in some areas
- New Sales: Positive outlook
  - Commercial – Wider distribution / Hit rate focus
  - Public & Housing – Better opportunities – already material

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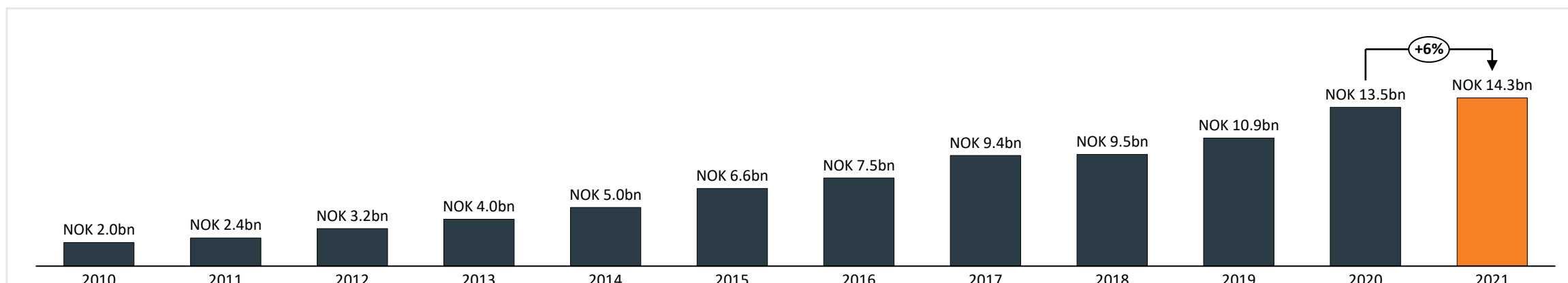
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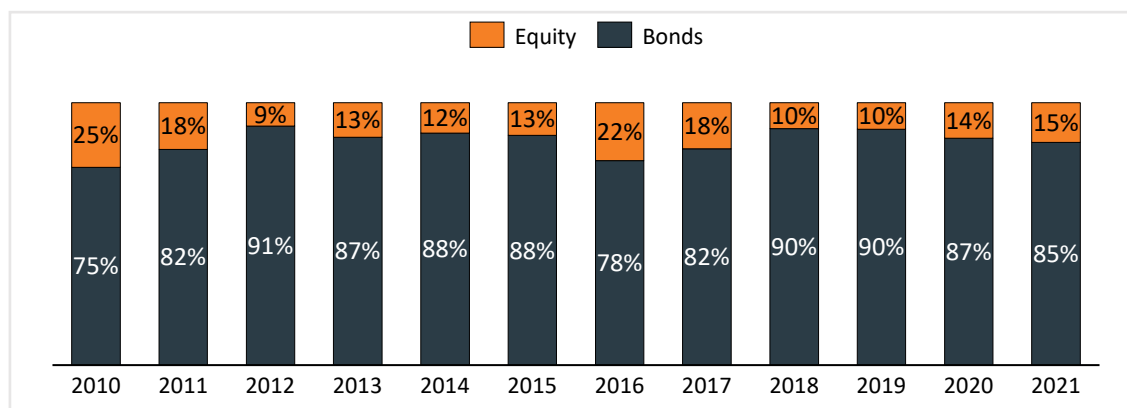
# Investment portfolio heavily weighted towards bonds

Priority #1 is to never allow risk for solvency issues

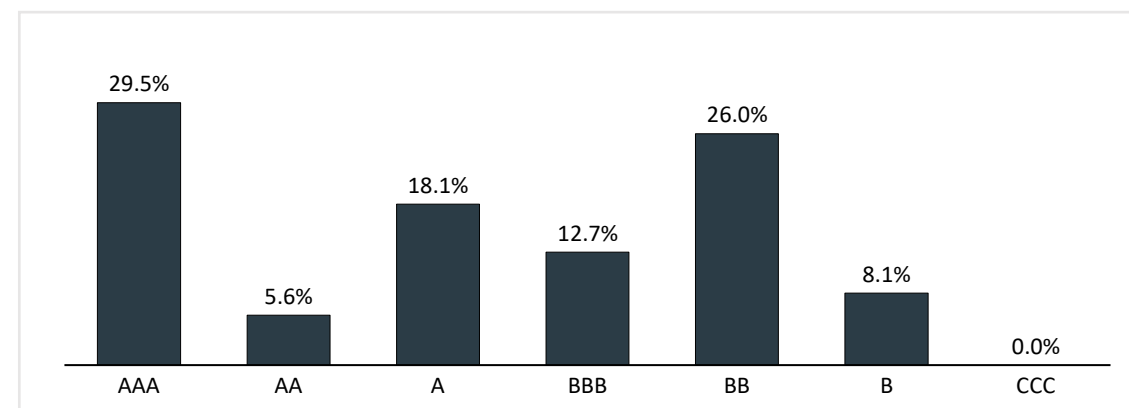
## Development in assets under management



## Equity vs Bond portfolio split



## Bond portfolio rating composition Dec. 31<sup>st</sup> 2021<sup>(1)</sup>



Notes: (1) > 55% officially rating and <45% Protector shadow rating

# Investment strategy - bonds

Higher risk requires higher margin of safety, hurdle rate = companies with ROE target > 20%

## Analysis / underwriting strategy

- Bottom-up analysis (underwriting) and quarterly follow up
  - Bond market often slow to react to deteriorating fundamentals
- Continuous development of process

## Focus areas

- Absolute attractiveness of individual risk, e.g.
  - Terms
  - Redundancy, low loss given default
  - Always ensure large margin on safety to intrinsic EV
- Selective, only entering ~5% of new deals with a willingness to sit on the sideline and act aggressively to “grab” good opportunities

## Return evaluations

- Capital consumption & return on risk capital
  - Company capital allocation alternatives evaluated
- Hurdle rate for investment = company ROE target > 20%
- Liquidity / ability to change our mind

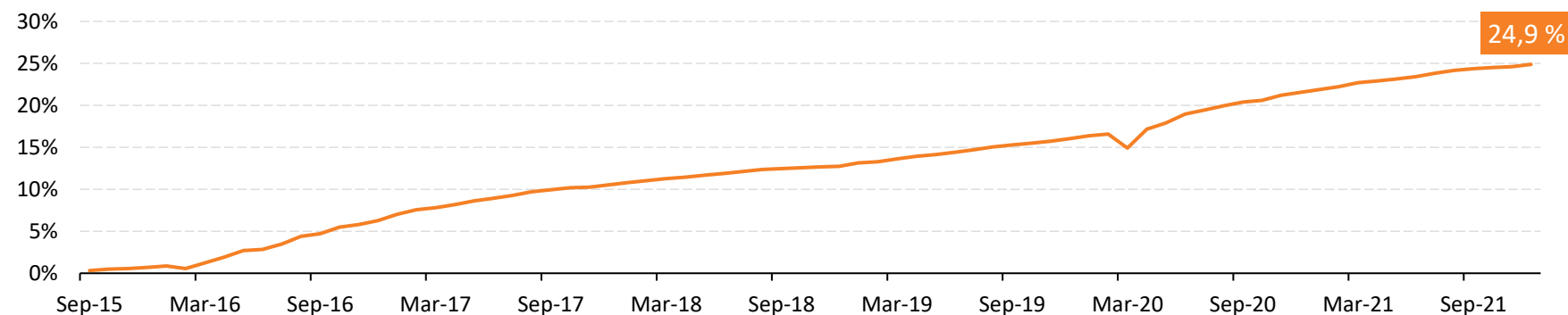
# Bond portfolio returns

Stable returns with low risk and low capital consumed

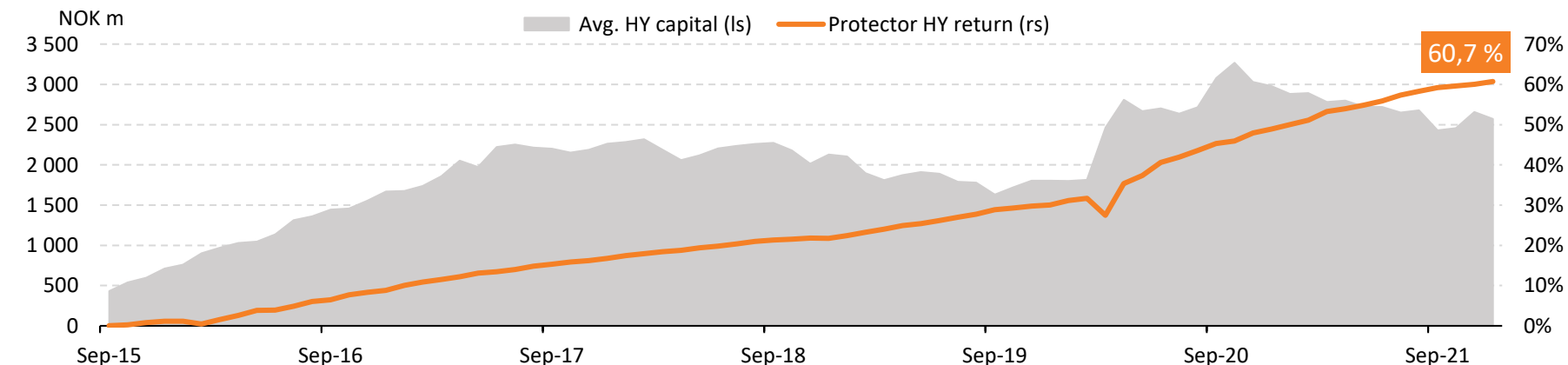
## Comments

- Historically performed well during periods of high volatility, e.g.:
  - Q1 2020 (COVID outbreak)
  - Q1 2016 (oil price plunge)
- Annualized HY-return of 7.9% Q315 – Q421
- Losses, unrealized or realized, totalling MNOK 10 / 0.02% annually Q315 – Q421
- Investment in risk assets only when meeting our internal hurdle rate
- Return from the bond portfolio must be evaluated over a credit cycle

## Protector bond portfolio return (excl. bond funds)



## Protector HY portfolio return (excl. bond funds)





# Investment strategy - equities

Focus on level of difficulty and risk/reward

Horizon	Long term ownership returns
Type of investments	Good long-term ownership returns through investment in easy and predictable businesses
Hurdle rate and margin of safety	High margin of safety in our investments
Analysis	Keeping the portfolio small, fewer companies allowing for deeper analysis and contrarian variant perception
Intensity of competition	Looking for companies with low intensity of competition – <i>“how to win, pick easy competition”</i>
Focus	Continuous learnings and improvement of process creating long-term results

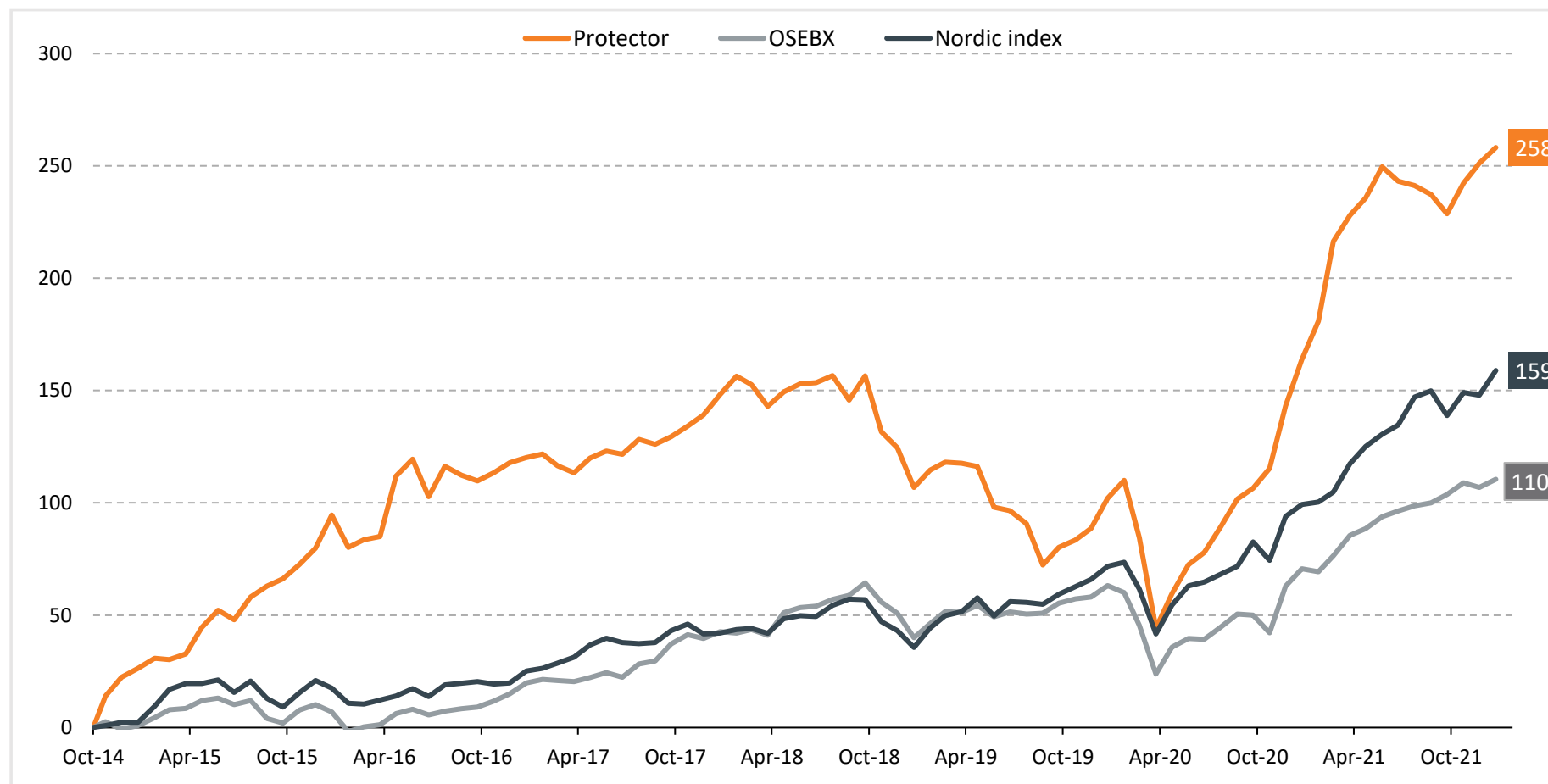
# Equity portfolio returns

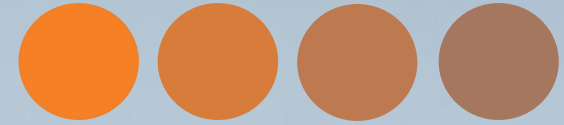
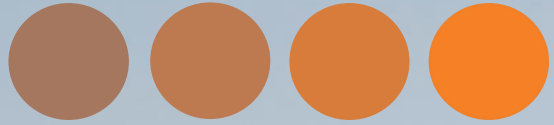
Strong results historically, volatility outside of benchmarks to be expected

## Comments

- Equity portfolio currently comprises 15.1% of the total investment portfolio
- Historically returned 19.2% p.a.
- Discount to estimated intrinsic value currently at 26%
- Currently 20 companies in the portfolio
- Put options used to limit market exposure

## Historical performance far above benchmarks





**Capital Allocation is about more than Investments**

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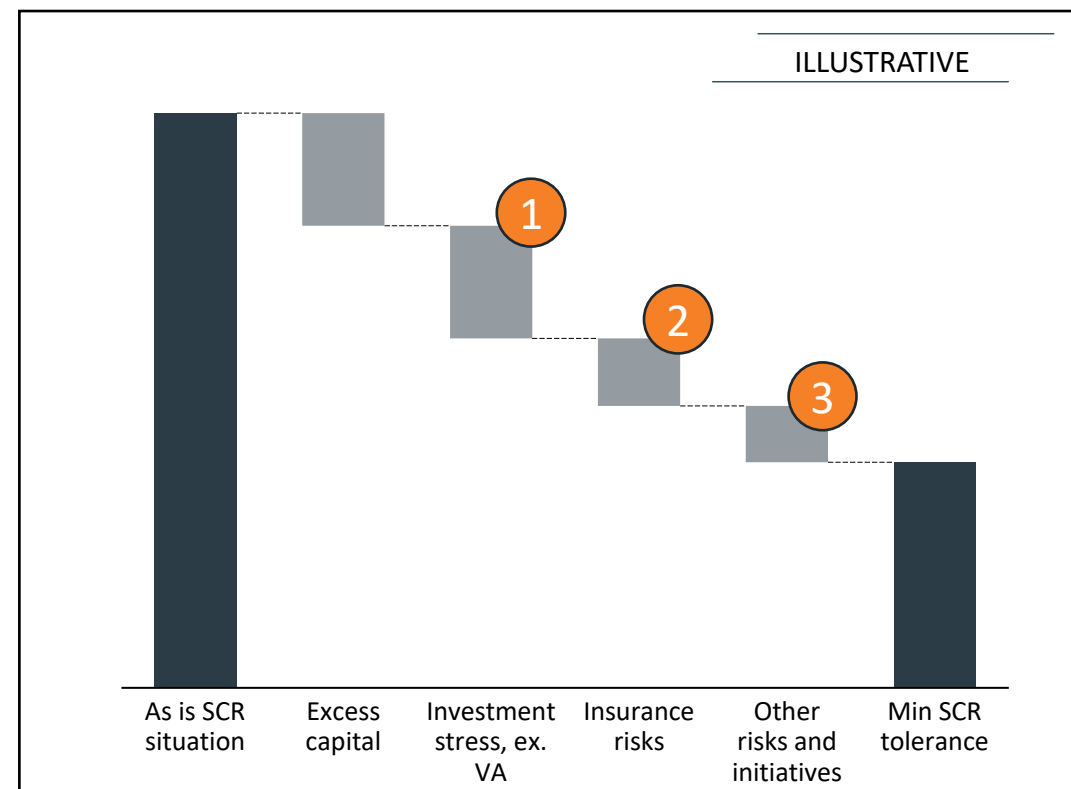
# Risk and capital management process

## Controlling all company risks and historical investment stress

### Main objectives

- a Identify all risks to Protector's solvency position
- b Continuously monitor risk development
- c Quarterly management assessment of capital position vs. capital need

### Three main risk categories





# Distribution policy

Flexible distribution policy – profitable growth in insurance and sufficient SCR buffer always priority nr 1



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# ESG Strategy

## Improved structure and follow-up

The importance of environmental, social and governmental factors increases. The necessity of proper ESG management is substantial to keep market position and to be considered as a responsible business partner. To accelerate our business, meet market expectations and reduce own, customers' and investors' risks, ESG related activities needs to be integrated into business operations. To have transparent communication and meet investors' and regulatory expectations on the subject, our reporting needs to include non-financial criteria on ESG topics, such as contribution, risk management and progress.

To set the direction, we performed an analysis to identify material ESG impact on our value chain, risks and opportunities, on the basis of key stakeholders view, market developments and strategic priorities. Given the output, four strategic ESG Pillars considered as material to our business was defined, and engaging us to:

- (1) commit to **people value and employee engagement** in our organization
- (2) encourage and motivate our insured to choose **circular and climate efficient options** in claims
- (3) focus on **climate resilience** to accommodate market needs, to adapt and mitigate climate change
- (4) have **responsible business behaviour** at the heart of our operations

To succeed with our ambition of being a responsible, trusted, and credible ESG actor, the established roadmap points out a set of required activities that gradually contributes to achievement of each Pillar by the end of 2024. Along our ESG journey, we will continuously focus on doing the right things, and shaping future conversations by engaging with our stakeholders to understand and reduce ESG risks, and communicate this through transparent reporting.

Based on our strategic pillars, five primary UN Sustainability Development Goals (SDGs) are prioritized on what we believe Protector contributes the most. The selected SDGs emphasize Protector's work on the strategic topics, but also emphasize how Protector proactively contributes to the UN SDG initiative.

### At the end of 2021, the following directive are leading for Protector's ESG strategy:

- EU mandatory climate related financial disclosure
- EU Taxonomy
- EU Corporate Due Diligence
- Norwegian Equality and Anti-Discrimination Act
- UK Gender Pay Gap Regulation
- Norwegian and EU corporate supplier due diligence reporting requirements
- Norwegian Transparency Act (Åpenhetsloven)
- Norwegian regulation of Public Procurement (Anskaffelsesforskriften)
- NFRD/CSRD – EU regulatory ESG reporting

### Protector's five primary SDGs to which we contribute most, based on our materiality assessment:



# Protector aims to be a responsible, trusted and credible ESG actor

Accelerating our business through leveraging sustainability

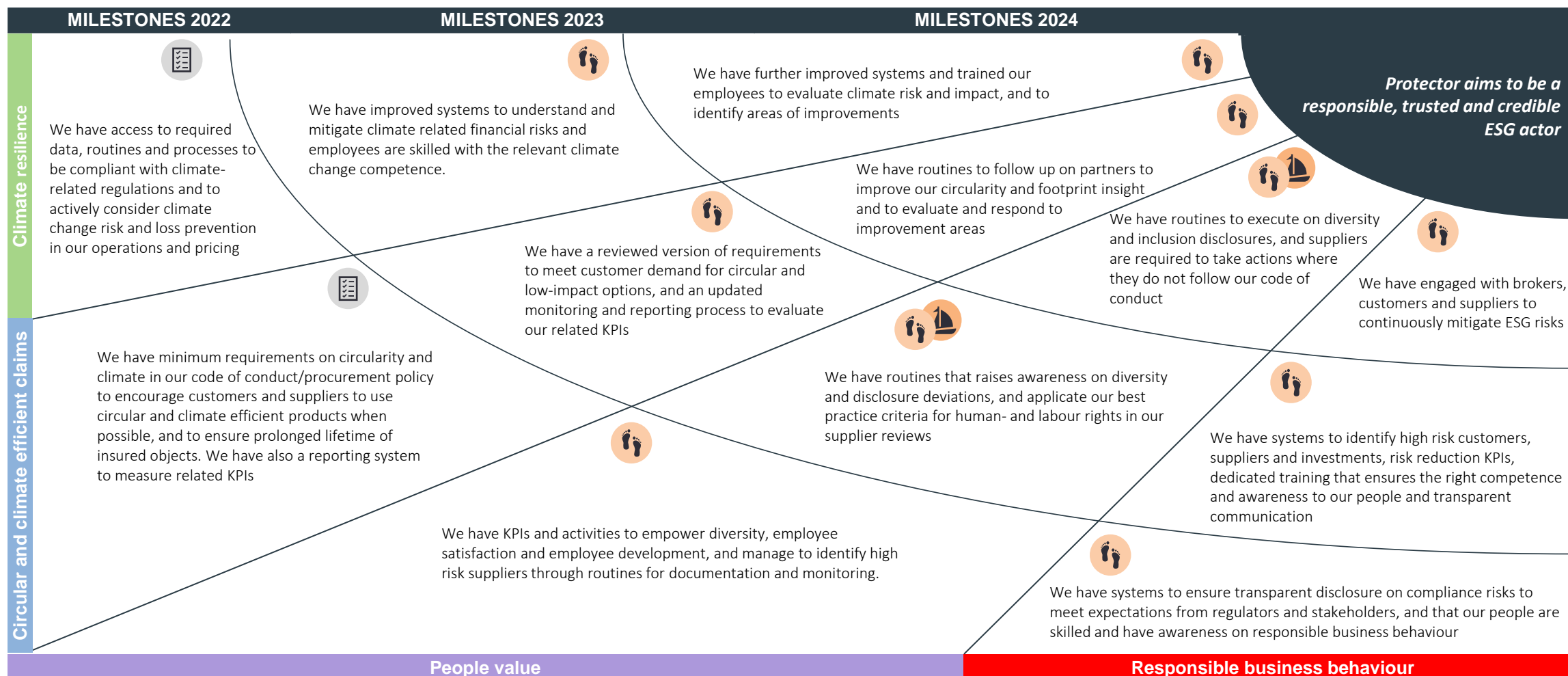


Priority Focus	<ul style="list-style-type: none"> <li>Diversity and inclusion in our work place</li> <li>Labour and human rights in supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Circularity and use of residual values in claim settlements</li> <li>Climate footprint in claim settlements</li> <li>Safety precautions to prevent damages</li> </ul>	<ul style="list-style-type: none"> <li>Climate resilience factors in product development and pricing</li> <li>Climate risk management routines and processes</li> <li>Up-to-date climate-related reporting</li> </ul>	<ul style="list-style-type: none"> <li>Responsible business behaviour in our own operations</li> <li>Responsible business behaviour in our external relationships</li> <li>Responsible investments</li> </ul>
Priority Rationale	<ul style="list-style-type: none"> <li>Norwegian Equality and Anti-Discrimination Act, UK Gender Pay Gap Regulation</li> <li>Norwegian and EU corporate supplier due diligence reporting requirements</li> <li>Increased pressure and concern on diversity and equality commitment disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Public demands to choose circular alternatives whenever possible in claims</li> <li>Customer expectations that circularity in claims will be of sufficient quality</li> <li>Requirements of minimum 30% environmental criteria in public procurement</li> </ul>	<ul style="list-style-type: none"> <li>EU mandatory climate related financial disclosure</li> <li>EU Taxonomy</li> <li>Confirmed physical consequences of climate change that will pose risk to Protector</li> </ul>	<ul style="list-style-type: none"> <li>EU Corporate Due Diligence</li> <li>Investors and banks are requesting standardized information and disclosures on risk management and business ethics compliance</li> </ul>



# ESG Roadmap

A set of required activities to gradually take us to our ambition



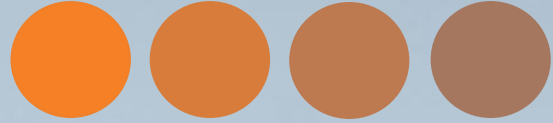
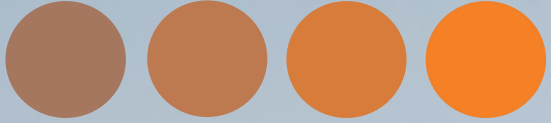
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## Appendix

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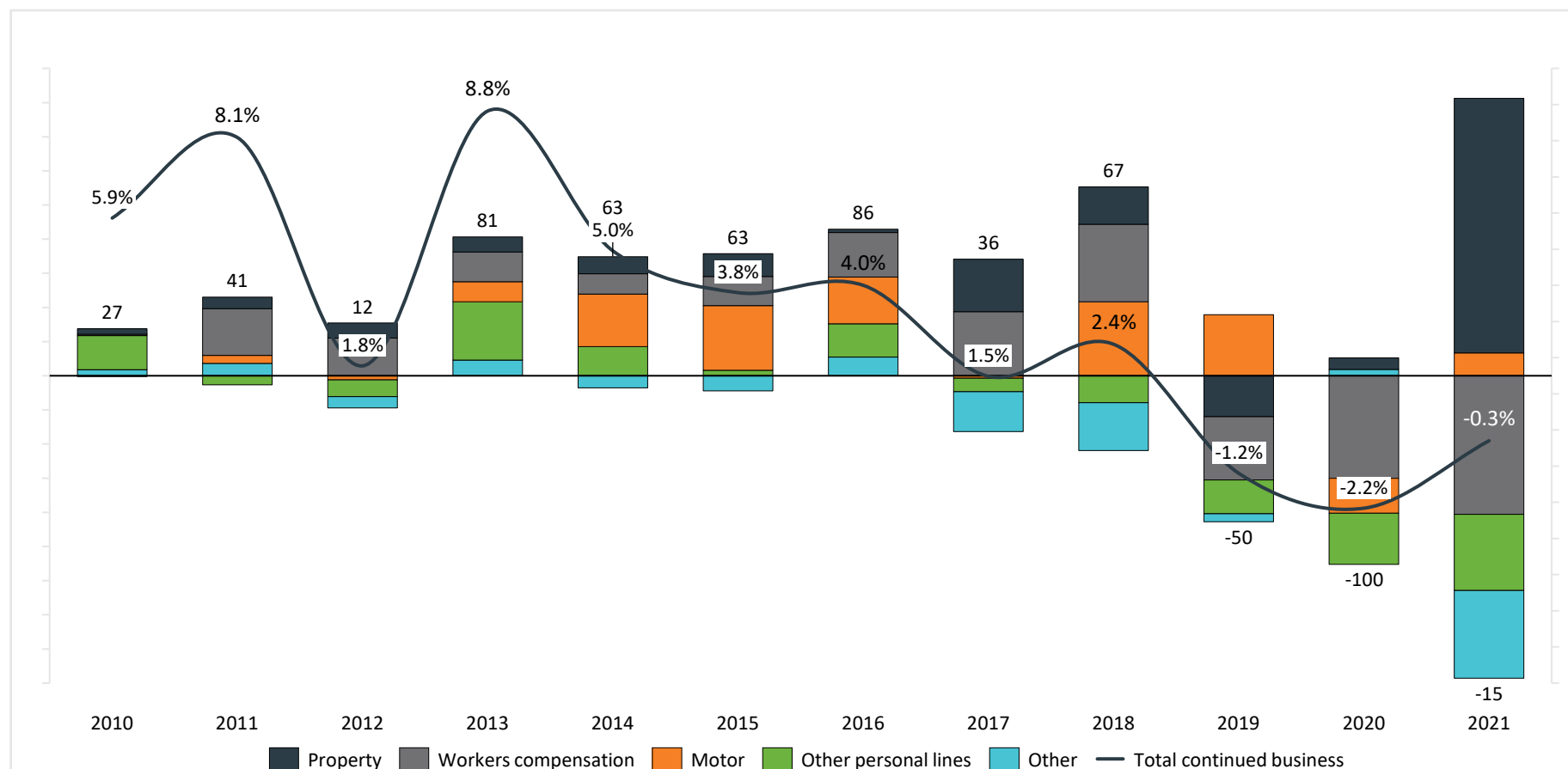
# Prudent reserving practice

Significant de-risking through sale of COI and WC tail in Denmark and Norway

## Comments

- Reserves are volatile in some products, however Protector had total run off gains of 310 mNOK (excl. COI) in the period 2010 – 2021
- Significant de-risking of reserves through exit of change of ownership insurance (COI) and WC Norway and DK (sale to DARAG)
- Disciplined growth in the UK with large short-tail exposure and more reinsurance protection expected to reduce risk even further going forward

## Net run-off gains / losses (mNOK)<sup>(1)</sup>





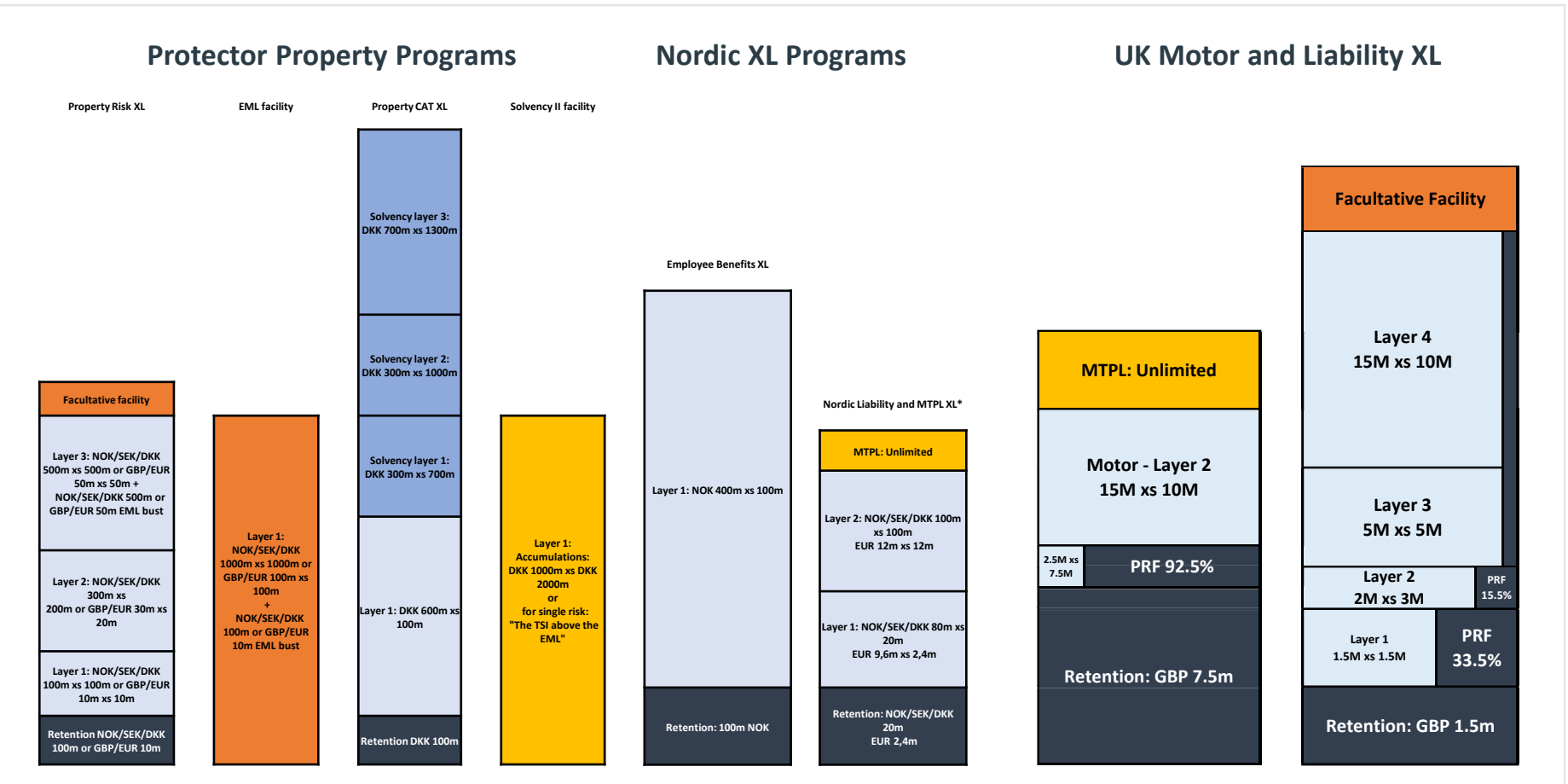
# Reinsurance Program<sup>(1)</sup> – 2022

Solid panel of reinsurers, (+99%) placed with a rating of A- or better

## Comments

- All lines of business have reinsurance protection
- Programs have “back-to-back” coverage with our standard terms and conditions (no gaps in coverage)
- Solid panel of reinsurers, (+99%) placed with a rating of A- or better
- Protector's maximum retention level is 100 mSEK/NOK/DKK or 10 mGBP/EUR
  - For any type of event, or any type of loss

## Reinsurance program illustrations<sup>(3)</sup>



Notes: (1) Whole Account QS also in place (not illustrated). (2) Program is written in local currencies (NOK/SEK/DKK and EUR)

# Shareholder list

As of 31 December 2021

Shareholder	# of shares	%
AWC AS	8.370.828	10.15%
STENSHAGEN INVEST AS	7.526.353	9.12%
VERDIPAPIRFOND ODIN NORDEN	6.367.205	7.72%
CITIBANK EUROPE PLC	5.025.410	6.09%
VERDIPAPIRFONDET ALFRED BERG GAMBA	3.850.053	4.67%
HVALER INVEST AS	2.811.809	3.41%
CLEARSTREAM BANKING S.A.	2.510.639	3.04%
ARTEL AS	1.800.000	2.18%
VERDIPAPIRFONDET ALFRED BERG NORGE	1.676.386	2.03%
MP PENSJON PK	1.533.301	1.86%
PERSHING LLC	1.513.303	1.83%
UTMOST PANEUROPE DAC - GP11940006	1.487.000	1.80%
DANSKE BANK A/S	1.159.321	1.41%
VERDIPAPIRFONDET ALFRED BERG AKTIV	1.141.128	1.38%
VERDIPAPIRFONDET NORDEA NORGE VERD	1.112.327	1.35%
STATE TREET BANK AND TRUST COMP	1.012.327	1.23%
JOHAN VINJE AS	937.841	1.14%
VEVLEN GÅRD AS	937.454	1.14%
AAT INVEST AS	900.000	1.09%
AVANZA BANK AB	858.890	1.04%
<b>20 LARGEST</b>	<b>52.531.575</b>	<b>63.67%</b>
OWN SHARES	128.031	0.16%
OTHER SHARES	29.840.394	36.17%
<b>TOTAL SHARES</b>	<b>82.500.000</b>	<b>100.00%</b>



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