Solvency and Financial Condition Report 2024

PROTECTOR forsikring

Protector Forsikring

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Summary

Protector Forsikring ASA had a growth of 18% (15% in local currencies) in gross written premium in 2024. Combined ratio was 88.1%. The company's SCR ratio calculated using the standard formula including volatility adjustment was 193%. NOK 4 in dividend per share, NOK 330m in total, is subtracted from available solvency capital in the calculation of the SCR ratio. Eligible solvency capital was NOK 8,143m (6,855). Earnings in 2024 contributed positively. Dividends reduced the growth in solvency capital. The solvency capital requirement was NOK 4,214m (3,508). The increase in the capital requirement is driven by the company's growth.

The underlying profitability is good, and with continued profitability measures to counteract claims inflation, the insurance service 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, Norway, is a non-life insurance company organised 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 MNOK, 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: Stortorvet 7, 0155 Oslo, Norway
Phone: 24 00 24 00

A.2 Underwriting performance

The company's growth in gross written premium was 18% (15% in local currencies) in 2024. The UK contributed with 10.9 percentage points. Growth in the Nordics was driven by Norway (4.0 percentage points) followed by Denmark and Sweden.

Combined ratio was 88.1% (88.5). Loss ratio, net of reinsurance, was 77.5% (77.7). Underlying profitability remains strong. Large losses totalled NOK 851m (7.2%), in line with a normalized level of around 7%. Majority of the large losses occurred in Denmark and the UK and none of the losses exceeded reinsurance retention. Claims provisions from prior years had a positive development of 0.9%. Adjusted for these factors, all countries contributed positively to growth and profitability.

Table 1 shows results per business unit.

For more information about the company's results and development, please see Protector's annual report for 2024 which is available at the company's web site www.protectorforsikring.no.

Table 1 Geographic distribution of the company's results

	UK		Sweden[2]		Norway		Denmark		Total	
[MNOK]	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Gross written premium[1]	5,457	4,321	2,895	2,754	2,355	1,941	1,627	1,407	12,333	10,423
Insurance revenue	5,048	3,504	2,866	2,663	2,269	1,883	1,600	1,336	11,783	9,386
Insurance claims expenses	-3,142	-2,467	-1,986	-1,975	-1,777	-1,680	-1,701	-1,059	-8,606	-7,182
Insurance operating expenses	-558	-417	-404	-357	-164	-137	-126	-100	-1,253	-1,011
Insurance service result before reinsurance contracts held	**1,349**	**619**	**476**	**331**	**327**	**66**	**-227**	**177**	**1,924**	**1,193**
Reinsurance premium	-452	-365	-79	-121	-46	-28	-71	-70	-648	-584
Amounts recovered from reinsurance	64	364	20	21	27	17	17	69	128	471
Net result from reinsurance contracts held	**-389**	**-1**	**-59**	**-101**	**-19**	**-11**	**-54**	**0**	**-520**	**-113**
Insurance service result	**960**	**618**	**417**	**230**	**308**	**55**	**-282**	**176**	**1,404**	**1,080**
Key ratios[1]										
Large losses, net of reinsurance	4.6 %	9.4 %	2.3 %	1.8 %	1.8 %	6.0 %	32.1 %	4.4 %	7.2 %	5.9 %
Run-off gains/losses, net of reinsurance	0.8 %	2.8 %	-3.7 %	-2.2 %	-1.2 %	-1.1 %	-0.9 %	0.7 %	-0.9 %	0.3 %
Loss ratio	62.2 %	70.4 %	69.3 %	74.2 %	78.3 %	89.2 %	106.3 %	79.3 %	73.0 %	76.5 %
Net reinsurance ratio	7.7 %	0.0 %	2.0 %	3.8 %	0.8 %	0.6 %	3.4 %	0.0 %	4.4 %	1.2 %
Loss ratio, net of reinsurance	69.9 %	70.4 %	71.3 %	78.0 %	79.2 %	89.8 %	109.7 %	79.3 %	77.5 %	77.7 %
Cost ratio	11.0 %	11.9 %	14.1 %	13.4 %	7.2 %	7.3 %	7.9 %	7.5 %	10.6 %	10.8 %
Combined ratio	81.0 %	82.4 %	85.5 %	91.4 %	86.4 %	97.1 %	117.6 %	86.8 %	88.1 %	88.5 %

[1] Defined as alternative performance measures (APM); APMs are described at www.protectorforsikring.no in a document named APMs Protector Forsikring 2024

[2] Includes Finland. The segment change applies from 2024. Comparative figures have been restated

A.3 Investment performance

The company's net investment results per asset class is presented in Table 2.

Table 2 Investment result per asset class

[MNOK]	2024	2023
Avg. investment portfolio	21,633	17,313
Equities	3,239	2,706
Bonds	18,394	14,606
Share equities	15%	16%
Share bonds	85%	84%
Result equities	3.6%	9.8%
Result bonds	5.1%	7.6%
Return equities	116	265
Return bonds	944	1,107
Investment result, net	**1,059**	**1,372**
Return, net	**4.9%**	**7.9%**

The average share invested in equities was 15% (excluding hedging instruments). The investments in equities comprised mainly of investments in companies listed on the stock exchange in Sweden, Germany and Denmark. The return on the equity portfolio was 3.6%, and 4.8% excluding put options. The portfolio's returns were characterized by a few big winners and no major losers. The return on the fixed-income portfolio was 5.1%. Return was positively affected by coupon payments, repricing and low losses and negatively affected by swap results.

The total credit risk in the bond portfolio is valued at A+ at the end of 2024. Administration costs related to investments amounted to NOK 83m. The total return on investments was 4.9% (7.9).

The company's investment portfolio is accounted for at fair value through profit and loss, except for NOK 98m (<0.5% of the net investment portfolio) which is accounted at amortised cost. The company had no gains or losses taken directly in shareholders' capital in 2024.

For more information about the company's investment result, please see Protector's annual report for 2024 which is available at the company's web site 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

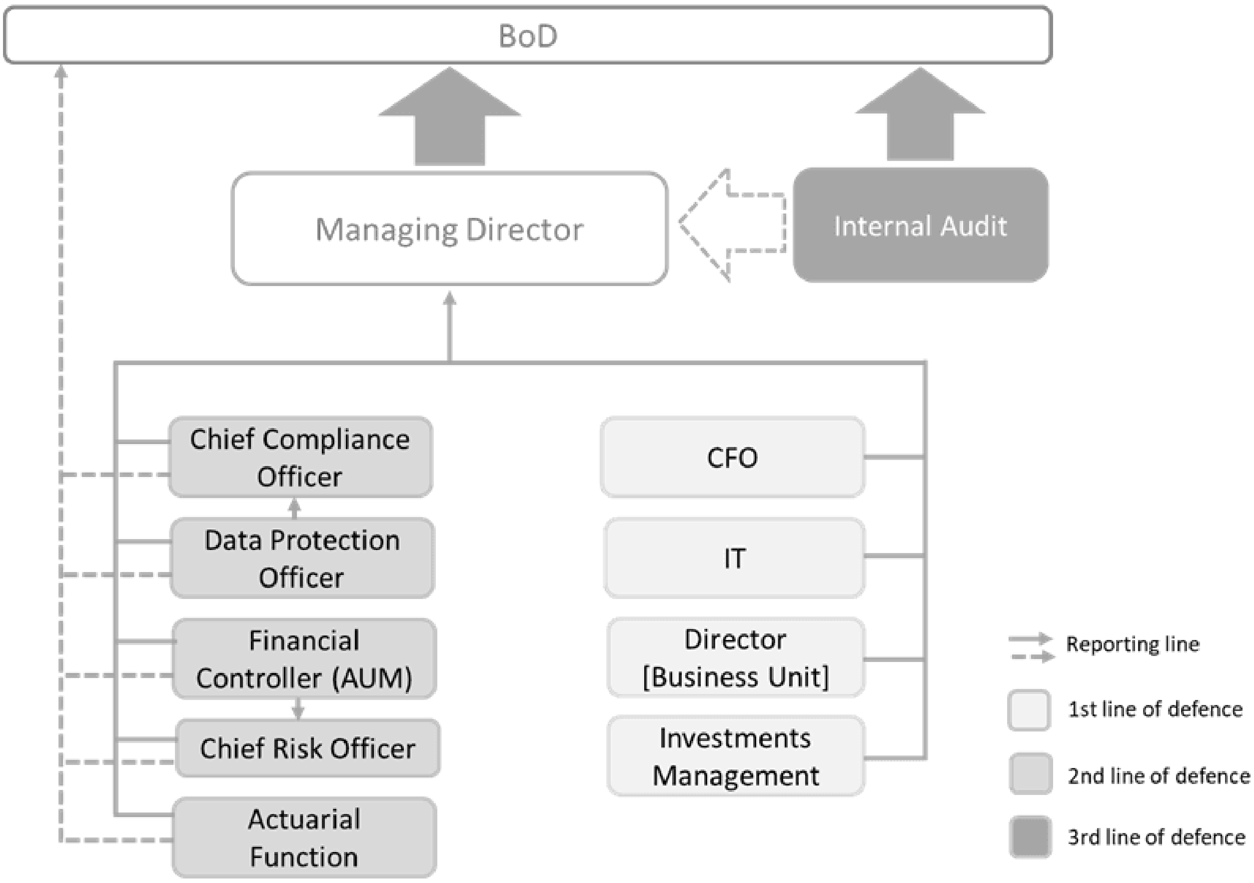
All significant information about Protector's operations and results is deemed provided above.

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 control functions report directly to the managing director with the exception of the internal audit which reports directly to the Board of Directors ("Board"). Chief Compliance Officer, Chief Risk Officer and the actuarial function has the right and the duty to report directly to the Board. Second line functions are administratively organized under CFO. The company's Data Protection Officer has the right and the duty to report to the Board directly. Financial Controller reports to the managing director and the Board.

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

Through the establishment of the company's goals, strategies, and risk appetite the Board define framework for types and extent of risks the company can be exposed to. The Board 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 Board has established three sub-committees in the form of an audit committee, risk committee and remuneration committee. The sub-committees support the Board in execution of its responsibilities for the company's total risk management and control.

Managing director ensures that the risk management and the internal control in the company 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 about significant changes. The managing director ensures that the company's risks are secured or in compliance with the Board's 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.

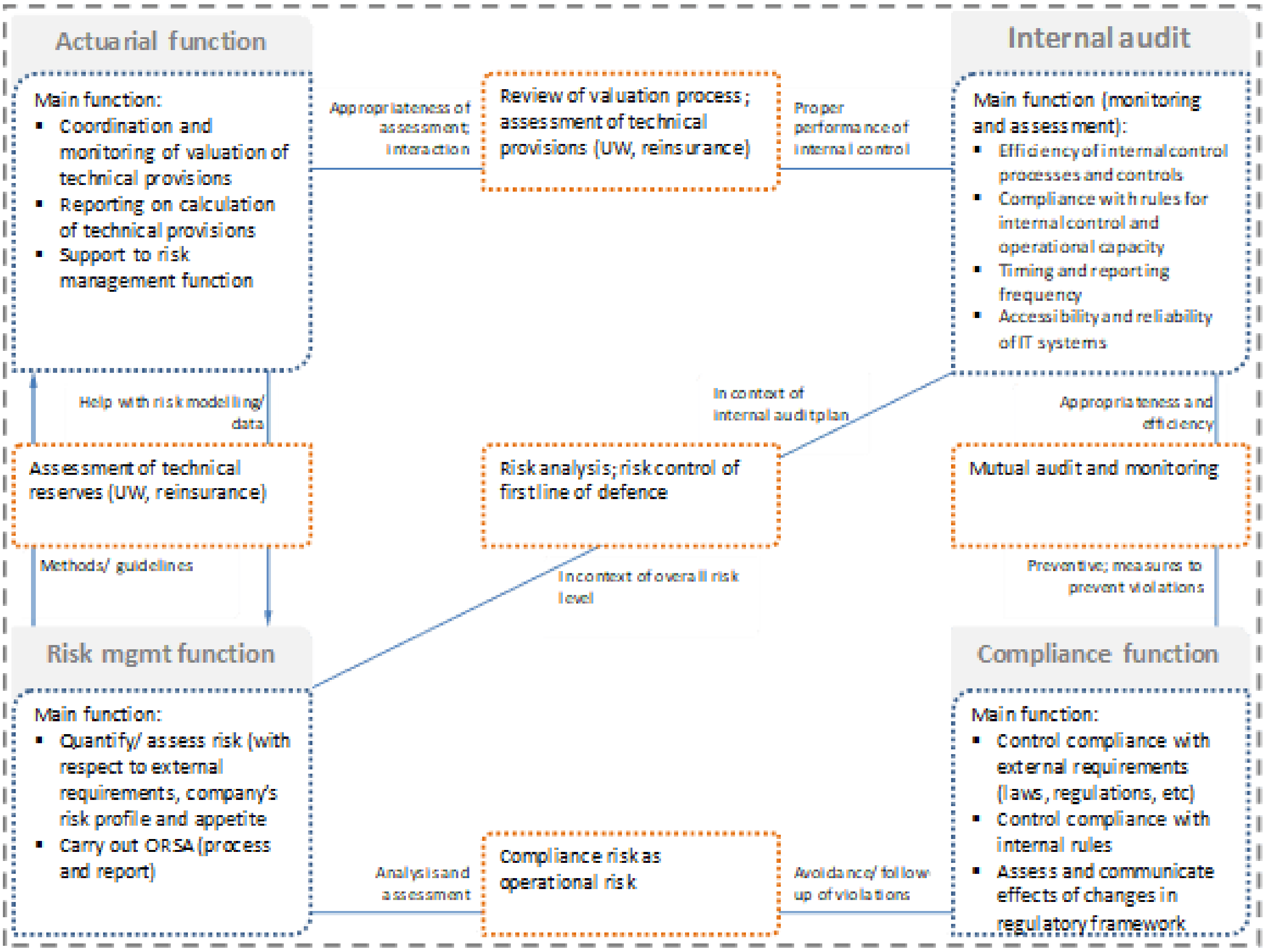
Leaders shall be able to substantiate that adequate control of risks is established and functioning. Leaders for significant business areas carry out and document an annual risk assessment according to the company's requirements as well as follow up earlier control measures.

The 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 are adequately informed about the company's risk profile at all times and that it is within the company's risk appetite. The risk management function is responsible for the managing director and the Board receiving relevant and timely information about implementation of the company's risk management. The risk management function shall ensure that risk assessment is carried out for significant changes in the company's risk profile. The 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 shows the 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 participants 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 in this scheme 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 bonus.

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 reports (for senior executives) at www.protectorforsikring.no.

B.2 Fit and proper requirements

The company has established a policy for fit and proper assessment in order to ensure that key personnel, including members of the administration, the Board 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 relevant information about personal 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, finance, law or other business is the basis for the 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 and guidelines. In the recruitment process potential candidates are assessed against requirements for competence and experience before decision is taken. In cases of new information indicating need for a renewed assessment, changes in regulatory framework, new requirements for corporate governance, changes in key functions or changes in the composition of the Board, Protector Forsikring will carry out new fit and proper assessments. Regardless, the company will regularly review the need for new fit and proper assessments even if the persons are the same.

Protector provides the Financial Supervisory Authority with a list of persons covered by fit and proper requirements.

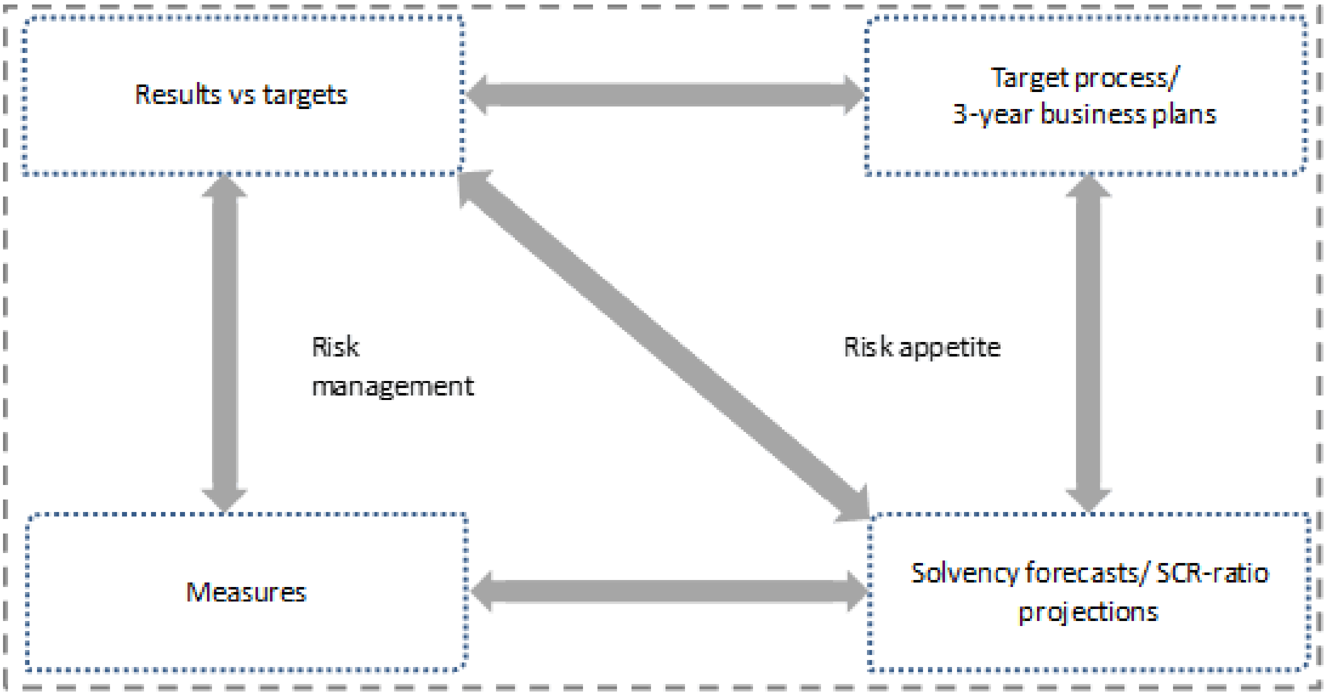
B.3 Risk management system including the own risk and solvency assessment

Protector Forsikring has a risk management policy in accordance with current regulatory framework for insurance companies and Solvency II requirements.

The company's risk appetite is set by the Board and forms the basis for the risk monitoring and the management in the company. The Board 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 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 organised 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 risks with respect to the defined limits are prepared on a quarterly basis. The Board, 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 the standard formula reflects the company's risk profile and how the capital requirement calculated using the standard model compares with the company's own assessment of capital requirement. At least annually Protector Forsikring prepares an ORSA report in accordance with the company's ORSA policy which is reviewed by the Board.

B.4 Internal control system

Protector Forsikring has prepared a policy and guidelines for operational and compliance risk. The compliance function is an independent control function. The compliance function carries out own controls, monitors laws and regulations and reports to the Board and senior management about significant risks in the operations. Compliance contributes to lower compliance risk through support in implementation of laws and regulations, and through following up the company's compliance. The compliance function is the company's whistle-blowing institution and is responsible for investigating any irregularities or fraud.

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

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

In accordance with the 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. Results of the internal control in all business areas and administrative units are summarized in a report to the Board at least annually. 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 effects. This process is initiated, managed, and coordinated by the company's Chief Risk Officer who also provides the necessary information to the managing director's verification of the internal control to the Board as a part of area of responsibility described in the job description for the company's Chief Risk Officer.

B.5 Internal audit function

The internal audit function 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 has outsourced the internal audit function. The agreement with the internal audit function is based on market terms.

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 and the managing director about the company's risk management and control.

B.6 Actuarial function

The 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 prepared 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 a 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 is, for example, 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 and the actuarial function to service providers located in Norway.

B.8 Any other information

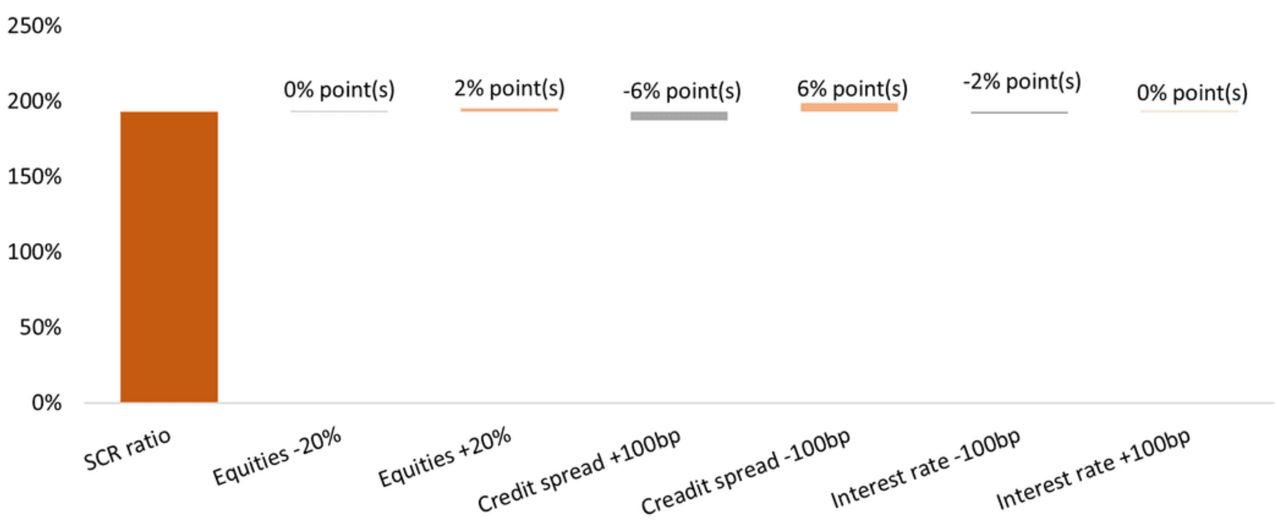
Protector Forsikring's assessment is that the company's risk management and internal control system is appropriate with respect to types, extent and complexity of the risks related to the company's business.

All significant information about Protector's system of governance is deemed provided above.

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. The figure 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



The company carries out stress test analysis as a part of the 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 the 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 the ORSA process and reporting.

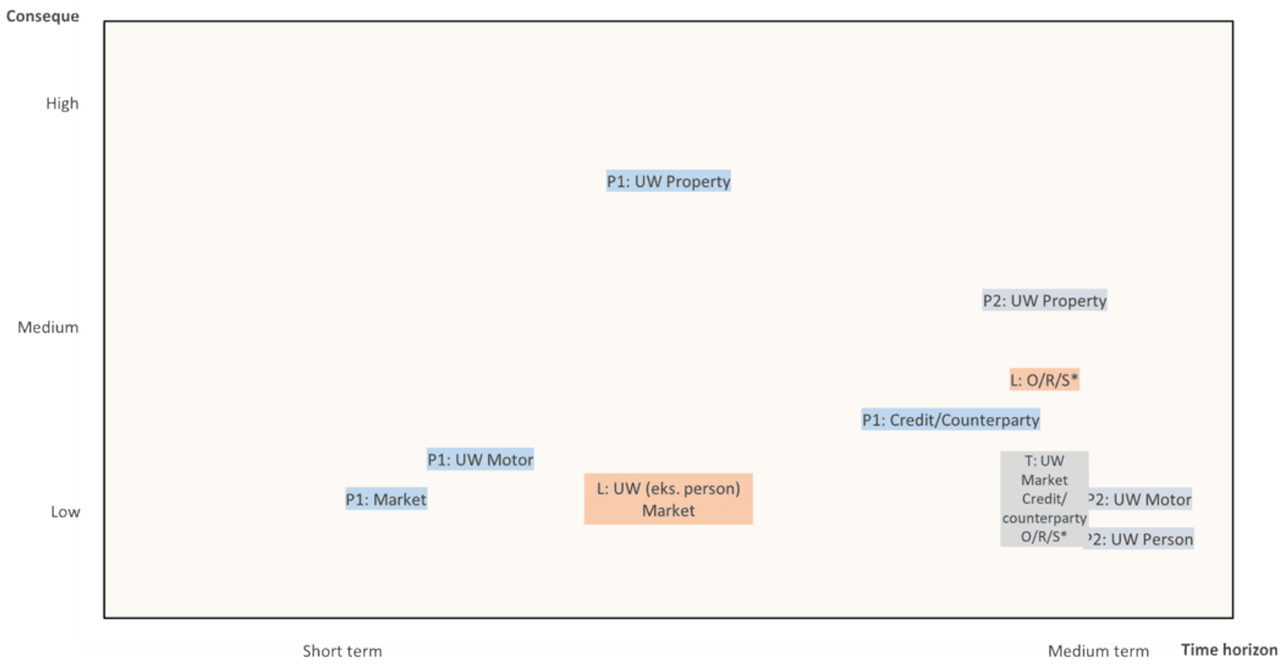
Table 3 presents the assessment of the potential climate-related risks sorted by estimated consequence (largest to smallest) and time horizon (shortest to longest).

Table 3 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.

A graphical summary of potential climate-related 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-1,500-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 the claims payments are larger than MNOK 1.0. 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 are 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 2024 which is available at the company's web site 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 the 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 commercial 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 mainly to reduce risk. Reinsurance is used primarily within lines 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. The company utilizes interest rate swaps for management of exposure to interest rate risk. It is not desirable to expose insurance liabilities to unnecessary currency risk, therefore investments portfolio is calibrated on a quarterly basis.

The solvency capital requirement for insurance risk was NOK 4,679m per 31.12.2024 whereof the capital requirement for non-life underwriting risk was NOK 3,939m, for health underwriting risk MNOK 738 and for life underwriting risk NOK 2m. 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” 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. The capital requirement for market risk is calculated quarterly or in case of significant changes in risk profile.

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

At the end of 2024, the net investment portfolio totalled NOK 22.0 billion (18.7). NOK 885m was invested in bond funds. The remaining portfolio was managed internally. The share of investments in equities was 16.2% of the total investment portfolio and fixed-income investments constituted 83.8%. The total credit risk in the portfolio is assessed at A+ (A-).

Protector Forsikring’s exposure to market risk comprised mainly exposure to equities, spread, currency, and interest rate risks per 31.12.2024. Total capital requirement for market risk was NOK 1,836m.

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 reinsurance and operating deposits. The company has a minimum rating requirement in order to reduce risk related to counterparty risk. In general, the company utilizes reinsurers with a solid rating from internationally acknowledged rating agencies. Before contracts are concluded reinsurers are assessed on an individual basis. The company’s main bank has a solid rating from various acknowledged rating agencies. Ratings of the banks used are monitored continuously. Summary of the risk assessment in relation to the company’s defined limits is reported on a regular basis.

The capital requirement for counterparty risk was NOK 149m per 31.12.2024.

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 the 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 the 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, the company has prepared a list of management actions to raise additional financing if needed.

Liquidity risk is not quantified in Solvency II calculations of the 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.

The solvency capital requirement calculated according to Solvency II rules was NOK 404m per 31.12.2024.

C.6 Other material risks

The company has not identified other significant quantifiable risks in 2024.

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.

The 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 the statutory balance sheet consists mainly of assets and liabilities accounted for at market value. The differences between the Solvency II balance sheet and the statutory balance sheet arise due to differences in aggregation of the amounts and due to differences in valuation. A description in valuation differences is provided in the chapters below. Differences between the Solvency II balance sheet and the statutory balance sheet, other than valuation differences, have to be viewed in relation to each other.

D.1 Assets

Summary of the company's Solvency II balance compared to the statutory balance is provided in Table 4.

Table 4 Overview of the company's assets in Solvency II and statutory balance per 31.12.2024

[MNOK]	Solvency II	Statutory accounts
Intangible assets	0	116
Investments	22,112	22,340
Reinsurance recoverables/Reinsurance contract assets	1,533	1,318
Other assets	3,258	895
Total	**26,903**	**24,668**

The company's investment portfolio constituted the largest share (82%) of the company's total Solvency II assets. Investments, - except for NOK 98m (<0.5% of the net investment portfolio) which is accounted at amortized cost, - are accounted for at fair value in the statutory accounts and transferred to the Solvency II balance.

Reinsurers' share of the company's technical provisions constituted 6% of the total Solvency II assets.

Reinsurers' share of claims provisions is discounted in both the Solvency II and the statutory balance sheets. Different discounting rates are used in the Solvency II balance sheet and the statutory balance sheet which may result in differences between Solvency II and statutory value of reinsurers' share of claims provisions. The reinsurers' share of premium provisions is discounted and adjusted for expected profit in future premiums. The reinsurers' share of premium provisions are not discounted and not adjusted for expected profit in future premiums in the statutory balance sheet. The reinsurers' share of gross technical provisions with volatility adjustment equal to zero is NOK 1,553m.

Other assets in the Solvency II balance includes, among other things, own shares accounted for at market value. Market value of own shares was NOK 20m per 31.12.2024.

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 31.12.2024. 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 the Solvency II valuation than the 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 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 adjustment in the financial statement is calculated using different principles and methods compared to the calculation of Solvency II risk margin.

Overview of net claims and premiums provisions and risk margin is provided in Table 5.

Table 5 Gross provisions for claims, premiums, and risk margin per 31.12.2024

Insurance class	BE TP, gross		
[MNOK]	Claims	Premiums	Risk margin
Medical expenses	432	25	17
Income protection	574	9	22
Workers' compensation	1,326	-132	58
Motor vehicle liability	1,498	465	159
Other motor	402	703	29
Marine, aviation and transport	9	2	0
Fire and other damage to property	3,851	1,316	130
General liability	2,429	342	245
Miscelaneous financial loss	0	0	0
Annuities from non-life insurance related to health	1,284	0	62
Annuities from non-life insurance related to non-life	40	0	1
Life insurance	154	2	1
Total	**12,000**	**2,733**	**726**

Total gross best estimate of technical provisions with volatility adjustment equal to zero is NOK 14,831m.

Total difference between gross Solvency II claims provisions and claims provisions in the statutory accounts was NOK 70m. Gross expected profit in future premiums was NOK 1,018m per 31.12.2024.

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

Amount receivable in accordance with reinsurance agreements for claims was NOK 1,626m per 31.12.2024. Amount receivable in accordance with reinsurance agreements for premiums was NOK -93m per 31.12.2024.

D.3 Other liabilities

Table 6 provides an overview of other liabilities with valuations different from the statutory balance.

Table 6 Overview of other liabilities per 31.12.2024

Other liabilities	Solvency II	Statutory accounts
Reinsurance payables	616	0
Subordinated debt	1,965	1,892
Other liabilities	1,900	1,491
Deferred tax	436	79
Total liabilities other than technical provisions	**4,917**	**3,462**

In the 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 the 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 the financial statement and the solvency II values.

D.4 Alternative methods for valuation

The company does not use alternative valuation methods.

D.5 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 company's strategy 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 the 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 31.12.2024 and 31.12.2023 is provided in Table 7.

Table 7 Overview of available and eligible solvency capital

Available own funds to meet the SCR and MCR	12/31/2024	12/31/2023
Tier 1 - unrestricted	6,146	4,920
Tier 1 - restricted	363	354
Tier 2	1,634	1,581
Total available solvency capital to cover SCR and MCR	**8,143**	**6,855**

Eligible own funds to meet the SCR		
Tier 1 - unrestricted	6,146	4,920
Tier 1 - restricted	363	354
Tier 2	1,634	1,581
Total eligible capital to cover SCR	**8,143**	**6,855**

Eligible own funds to meet the MCR		
Tier 1 - unrestricted	6,146	4,920
Tier 1 - restricted	363	354
Tier 2	379	316
Total eligible capital to cover MCR	**6,888**	**5,589**

Total available solvency capital was NOK 8,143m per 31.12.2024 (6,855). Earnings in 2024 contributed positively while dividends have reduced the growth in solvency capital. A dividend of NOK 4 per share (NOK 330m in total) is subtracted from the Tier 1 capital.

Protector Forsikring had no Tier 3 capital per 31.12.2024. 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 the calculation of the solvency capital with the limitations which are defined in the solvency regulatory framework.

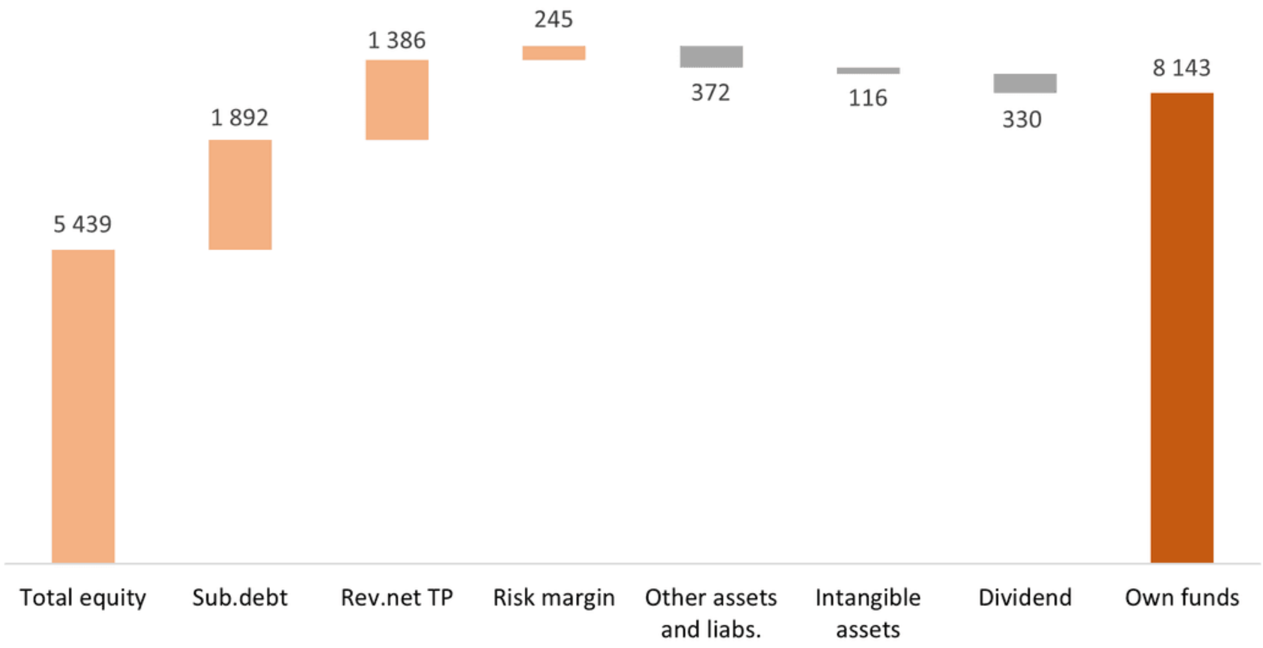
Table 8 shows available and eligible capital with volatility adjustment equal to zero.

Table 8 Overview of available and eligible capital with volatility adjustment equal to zero

Solvency capital	12/31/2024	12/31/2023
Available own funds to meet the SCR and MCR	8,077	6,797
Eligible own funds to meet the SCR	8,077	6,797
Eligible own funds to meet the MCR	6,822	5,532

The figure below provides reconciliation between the company's shareholders equity and the 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 the Solvency II balance compared to the financial statements as described above;
- Inclusion of subordinated debt as capital available for covering of the solvency capital requirement and the minimum capital requirement;
- Different value of deferred taxes due to differences between financial statement and solvency values;
- Foreseen dividend which is taken into account in the solvency capital calculation per 31.12.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

An overview of the company's solvency capital requirement and its composition and the minimum capital requirement calculated using the standard formula per 31.12.2024 and 31.12.2023 is provided in Table 9.

Table 9 Composition of the Solvency II capital requirement and the minimum capital requirement

Solvency and minimum capital requirement	12/31/2024	12/31/2023
Total market risk	1,836	1,572
Total counterparty default risk	149	137
Total life underwriting risk	2	1
Total health underwriting risk	738	684
Total non-life underwriting risk	3,939	3,192
Diversification	-1,711	-1,489
Basic Solvency Capital Requirement	4,952	4,098
Total capital requirement for operational risk	404	327
Loss-absorbing capacity of deferred taxes	-1,143	-917
Total solvency capital requirement	**4,214**	**3,508**
Minimum capital requirement	**1,896**	**1,579**

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

A large financial loss will give rise to a deferred tax benefit that can be utilized provided that the business is able to continue its operations after the financial loss. This effect is accounted for in the calculation of the capital requirement.

The minimum capital requirement (MCR) is calculated according so Solvency II requirements for standard formula and represents the minimum capital required to continue business.

Total solvency capital requirement per 31.12.2024 was NOK 4,214m (3,508). The increase in the capital requirement is due to the company's growth.

Table 10 shows the solvency capital requirement and the minimum capital requirement with volatility adjustment equal to zero.

Table 10 Overview of solvency capital requirement and minimum capital requirement with volatility adjustment equal to zero

Capital requirement	12/31/2024	12/31/2023
Solvency capital requirement	4,219	3,511
Minimum capital requirement	1,899	1,580

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 the 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 and fulfils the minimum and the solvency capital requirement.

E.6 Any other information

All significant information about the company's capital per 31.12.2024 is deemed provided above.