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# Capital Markets Day

March 10<sup>th</sup> 2021



## 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

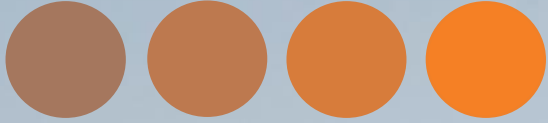
Credible

Innovative/Open

Bold

Committed





# Capital Markets Day 2021

Virtual Webcast | March 10<sup>th</sup> | From 10:00



10:00 – 10:30	Protector – We have only just begun
10:30 – 10:45	Nordics – Back on Track
10:45 – 11:00	UK – A Disciplined Team Journey
11:00 – 11:15	Investments – Core business
11:15 – 11:40	Long-term target and shareholder distribution
11:40 – 12:00	Summary, Succession and Q&A

**PROTECTOR**

# New information released today

SCR-ratio up 19% points, YTD equity return > MNOK 350, 3-year CR 90-92%

- New BNOK 1.9 reinsurance deal on WC Denmark/Norway signed March 9th
  - The deal confirm reserve quality
  - Protector's SCR-ratio increases with 19%-points, everything else equal
  - Very attractive cost of capital
- YTD equity portfolio return > MNOK 350
  - Remember, these gains are mainly unrealized and volatility must be expected
- Long-term (3 years) combined ratio target changed from 94% to 90-92%
- New dividend policy decided in the board
  - A flexible policy where priority 1 is Insurance growth if possible
  - Excess capital (SCR-ratio > 180%) will be distributed to shareholders over time
  - Quarterly dividend will be considered (but remember, flexibility comes first)

# Reinsurance deal reduces risk and increases SCR-ratio

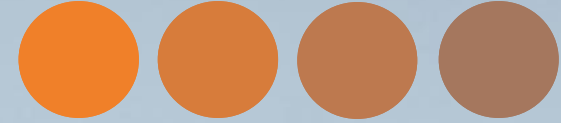
## 70% of WC tail in Denmark and Norway sold

- Reserves sized BNOK 1.9 sold to DARAG Germany (70% of reserves transferred)
- Similar to our deal with DARAG on Change of Ownership reserves
- SCR-ratio post dividend increases from 190% to 209%
- Cut off date is end Q3 2020, 70% on all reserves prior to October 1<sup>st</sup> transferred
- Very limited impact on P&L
- Funds are withheld, meaning Protector do not transfer money to DARAG;
  - Except for a pre-defined risk premium (normally between 5-15%)
  - Protector pays a certain agreed interest rate on funds withheld (normal procedure)
- It's a “real risk transfer contract”, meaning upsides and downsides on reserves are shared 70%/30%
- Cost of capital on this deal is very attractive



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**10:00 – 10:30**

**Protector – We have only just begun**

10:30 – 10:45

Nordics – Back on Track

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UK – A Disciplined Team Journey

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Investments – Core business

11:15 – 11:40

Long-term target and shareholder distribution

11:40 – 12:00

Summary, Succession and Q&A



**PROTECTOR**



# Claims handling – the moment of truth





# Claims handling in Protector

## Moment of truth

### Main targets in Claims Handling:

- High customer quality
- Correct, avoid leakage and follow up on any possibility
- High efficiency (when critical mass is reached)

### Resources to deliver on Main Targets:

	Norway	Sweden	Denmark	Finland	PF Nordics	UK	PF Total
<b>Total</b>	<b>34</b>	<b>48</b>	<b>28</b>	<b>14</b>	<b>124</b>	<b>41</b>	<b>165</b>
Claim Handlers	25	34	19	12	90	30	120
Technisians/supporters	3	8	3	0	14	7	21
Managers incl. controllers	6	6	6	2	20	4	24

# Project Falcon 2020

Our way to world leading Claims handling

**PROTECTOR**  
insurance

**R**olls **R**oyce

**Rolls Royce**

Cost control through Recovery and Reduction



**Clean Desk**

No delays in Claims handling – without compromising on quality



**ICF**

Instant customer feedback. Customer satisfaction, follow up dissatisfied



**Pharaoh**

Counter fraud within Claims handling, through “Key Fraud Indicators”

# Project Falcon 2020

Our way to world leading claims handling

**R**olls **R**oyce

**Rolls Royce**

**14 % improvement**



**Clean Desk**

**91% clean.** 26.000 of 28.500 working days



**ICF**

**88% satisfied** (“Good” or “Very good”)



**Pharaoh**

**1% savings**, OK result. Higher potential

# Management reporting

## Control is key

**All relevant KPI's available to managers 24/7  
– presented on 1 “page”.**

- Protector level
- Business Unit level
- Line of business level
- Individual level

## Large Loss follow-up tools to ensure perfect control and learning loops

- Registration spreadsheet per claim
- Large Loss quadrant
- Monthly reports, incl. yellow / red flags

## Monthly reports –Top Down and Bottom Up

- Protector level
- Business Unit level
- Line of business level
- Individual level

The screenshot displays the ProteCTOR forsaking REPORT V0.0.1A interface. The top navigation bar includes buttons for 'CLEAR ALL', 'CPU', 'GPU', 'RAM', 'DISK', 'NETWORK', 'SYSTEM', 'LOGS', 'SETTINGS', 'ABOUT', and 'HELP'. The main content area is divided into several sections:

- System Information:** Shows 'YEAR TO DATE' and 'REPORT V0.0.1A'.
- Current Selections:** A list of selected items with checkboxes and status indicators (green for active, red for inactive).
- System Status:** A table showing various system metrics (CPU, GPU, RAM, DISK, NETWORK, SYSTEM, LOGS, SETTINGS, ABOUT, HELP) with columns for 'Status', 'Value', and 'Unit'.
- Configuration:** A table showing configuration options (CPU, GPU, RAM, DISK, NETWORK, SYSTEM, LOGS, SETTINGS, ABOUT, HELP) with columns for 'Option', 'Value', and 'Unit'.
- Performance:** A table showing performance metrics (CPU, GPU, RAM, DISK, NETWORK, SYSTEM, LOGS, SETTINGS, ABOUT, HELP) with columns for 'Metric', 'Value', and 'Unit'.
- Security:** A table showing security metrics (CPU, GPU, RAM, DISK, NETWORK, SYSTEM, LOGS, SETTINGS, ABOUT, HELP) with columns for 'Metric', 'Value', and 'Unit'.

[illegible]

		New												Open										Closed					
		Month			Quarter			YTD									M/Mly evaluation (#)			Month			Quarter			YTD			
		#	Inc.	Δ Inc.all	#	Inc.	Δ Inc.all	#	Inc.	Δ Inc.all	#	Inc.	Paid	Rev.	Δ Rev.	Δ Ref.	#	Y	N/A	#	Inc.	Quarter	#	Inc.	Quarter	#	Inc.	YTD	
ULV	Property	1	3,7	5,1	1	3,7	5,1	0	3,7	5,1	12	168,0	94,8	73,2	4,0	2	5	2	0	1	253,6	1	253,6	1	253,6				
	Mortgage	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	5	27,3	5,5	21,8	-0,2	0	0	0	0	5	3,6	3	3,6	3	3,6				
	Liability	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	2	11,5	0,3	11,2	-0,2	0	0	0	0	3	0,0	3	0,0	3	0,0				
	W/C	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	3	34,8	15,0	19,8	0,0	0	0	0	0	0	0,0	0	0,0	0	0,0				
	Group life	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	0,0	0,0	0	0	0	0	0	0,0	0	0,0	0	0,0				
	Other	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	0	0,0	0,0	0,0	0,0	0	0	0	0	0	0,0	0	0,0	0	0,0				
TOTAL		2	3,7	5,1	2	3,7	5,1	0	3,7	5,1	21	249,0	114,1	113,2	3,8	2	5	2	0	16	257,2	2	257,2	2	257,2	257,2			

[illegible]

Navn	#nye		#avsluttet		#åpne		RR %			CD		Leders kommentar		
	Jan	YTD	Jan	Target	YTD	Endr.	# +1Y	Jan	Target	YTD	Jan		YTD	
Name 1	163	163	118	105	124	➡	415	6	10.5 %	9,9 %	10,5 %	76 %	76 %	...
Name 2	160	160	112	125	112	➡	454	31	9,9 %	9,9 %	9,9 %	101 %	100 %	...
Name 3	169	169	121	125	121	➡	458	17	12,4 %	9,9 %	12,4 %	95 %	95 %	...
Name 4	20	20	94	88	94	➡	167	10	9,7 %	9,9 %	9,7 %	95 %	95 %	...

# Project Falcon 2021

**IQ Falcon**



**PROTECTOR**  
insurance

**R**olls **R**oyce

**Rolls Royce**

Perfect cost control in every claim, incl. counter-fraud and “Negative RR”



**Clean Desk**

Improved SLA's from cradle to grave, incl. perfect data quality (**100%**)



**Efficiency**

Balance is key, cost ratio in Nordics for own account at 6.6% in 2022



**Broker Satisfaction**

Strengthen # 1 position through Innovation and Quality

## Our DNA

### Vision

The Challenger

### Business Idea

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### Main targets

Cost and quality leadership

Profitable growth

Top 3

### Values

Credible

Innovative/Open

Bold

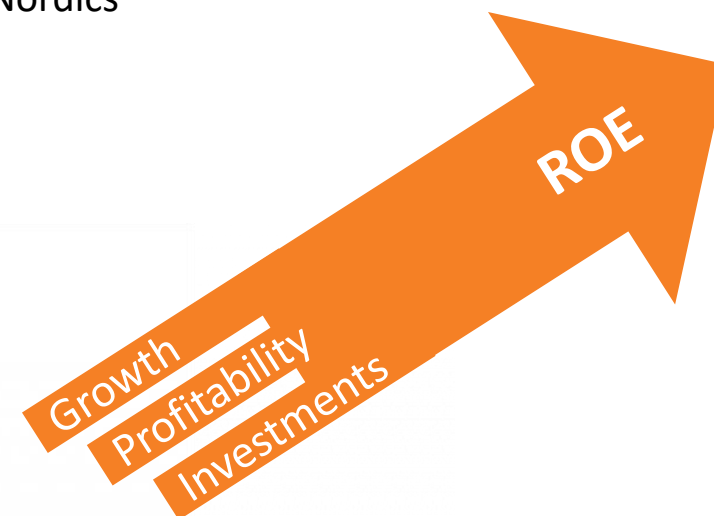
Committed



# Value creation in the long run

**We have only just begun**

- Cost leader in the world – not good enough
  - Quality leader in Scandinavia & UK
  - Average CR last 10 years at 91.6 %
  - Price increases still higher than claims inflation entering 2021, churn back to normal in Nordics
  - Growing organically from 0 to > 5.5 BNOK in premiums; building a significant float
  - UW discipline and Claims Handling are moments of truth
  - Investment is core and delivers better than benchmark HTD
  - It's also a story of capital consumption and risk
- 
- HTD ROE at 19%
  - HTD CAGR share price at 27%





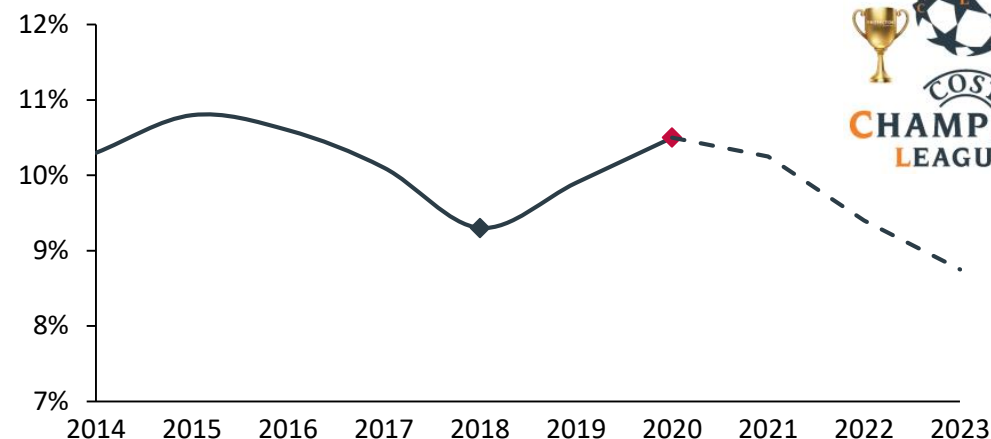
# Cost Leadership – World leader, but...

## Not good enough – new target 2023

### Creating cost leadership

- Define strategy, design value chains and implement
- In-house IT with cost ratio of  $\approx 1\%$  vs  $3.2\%$  for industry (Gartner Inc.)
- The real cost “secret” is a mix of culture and IT
- Increased cost 2019-2020
  - Investing in UK
  - Increased client churn in the Nordics
  - Portfolio clean-up consume resources

### Cost the real way<sup>1</sup>



### Gross expense ratio

	2014	2015	2016	2017	2018	2019	2020
Protector Nordics (ex. COI)	6.4 %	7.3 %	6.0 %	7.3 %	7.6 %	7.7 %	9.6 %
Tryg Corporate	11.1 %	10.8 %	11.0 %	10.2 %	9.9 %	10.4 %	11.4 %
If Industrial <sup>2</sup>	16.1 %	17.3 %	17.6 %	17.1 %	16.0 %	14.6 %	na

<sup>1</sup> Gross cost incl. claims handling ex. broker commission costs w. normalized LBP

<sup>2</sup> Cost ratio excl. annual avg. claims handling cost for If

# Quality leader in Scandinavia and UK

Humble and proud

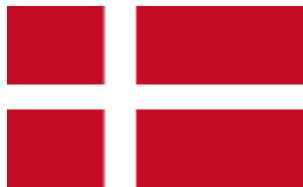
**PROTECTOR**  
insurance

Broker satisfaction index; not conducted in the Nordics in 2020 due to Covid-19

13 years in a row



2 yrs consecutive



Far ahead of #2 again



7 years in a row



#2 in 2018



# Profitability challenged

2020 - A turning point, CR 2021 expected at 90-92%

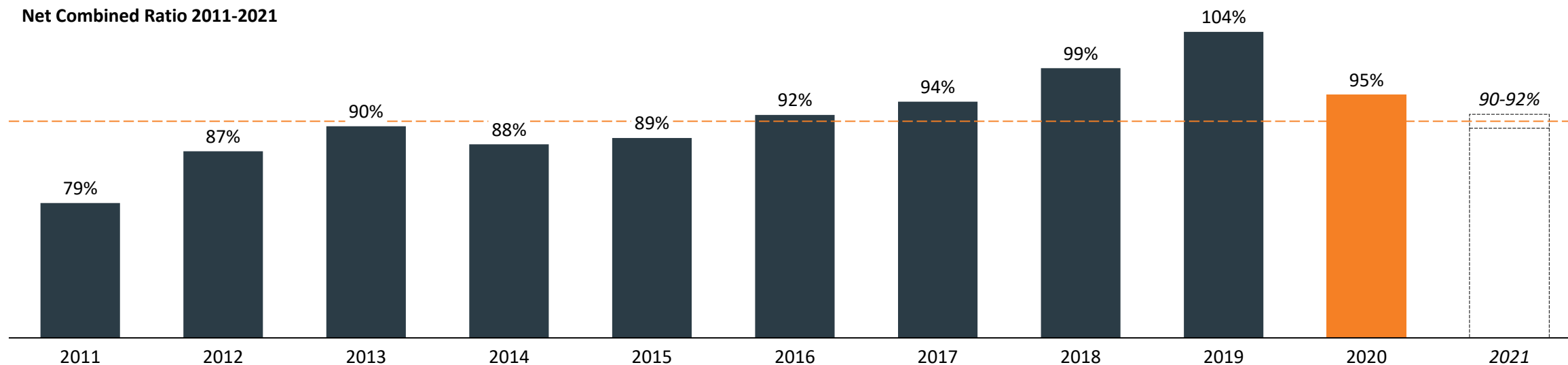
## Profitable 9 out the 10 last years

- Some challenges entering 2018
  - Poor UW discipline in Norway & Finland
  - Claims inflation motor higher than expected
  - Grenfell Tower and Grey Silverfish

## Profitability improvements

- Significant Nordic price increases
- Stronger UW discipline in some markets/segments
- Margin management and Capital allocation
- Exit COI market in Norway

Net Combined Ratio 2011-2021

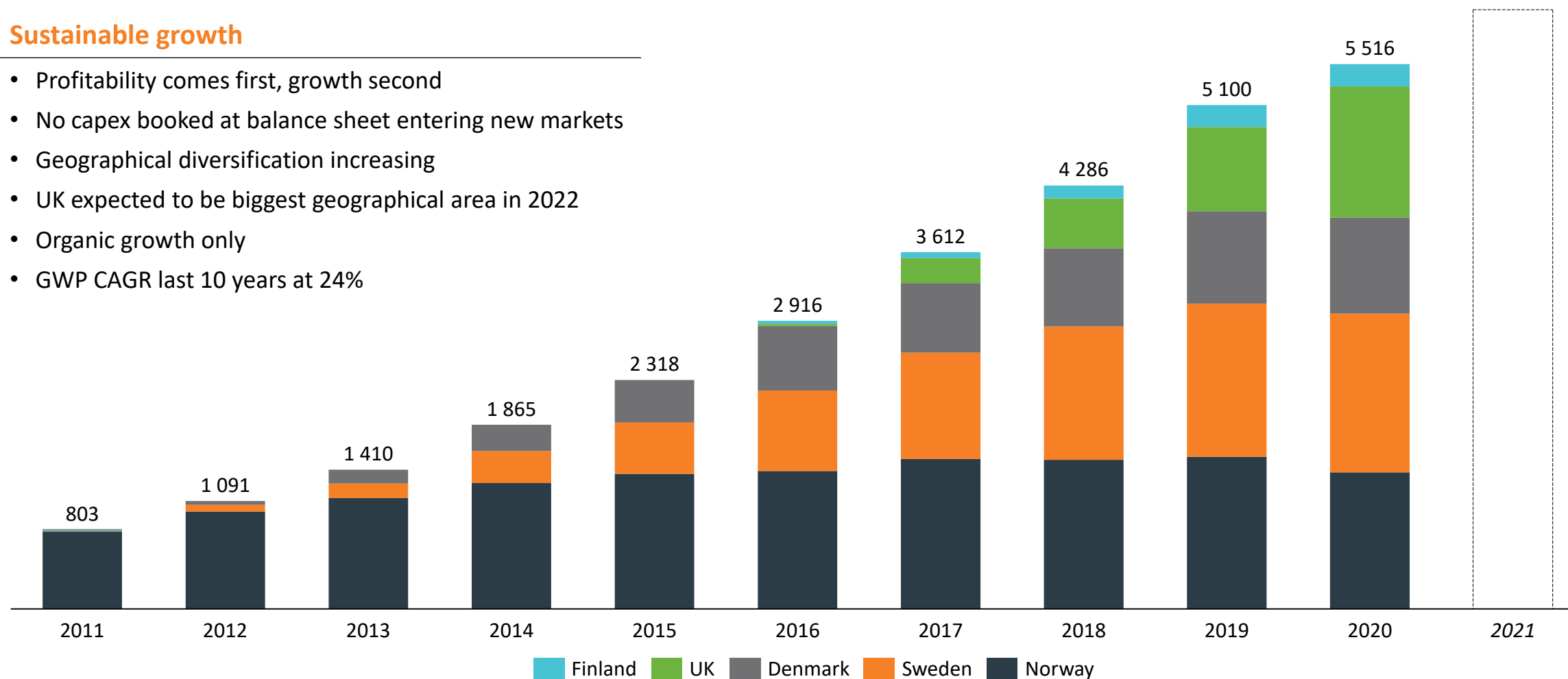


# Volume growth

17 % GWP CAGR last 5 years, 10% growth expected for 2021

## Sustainable growth

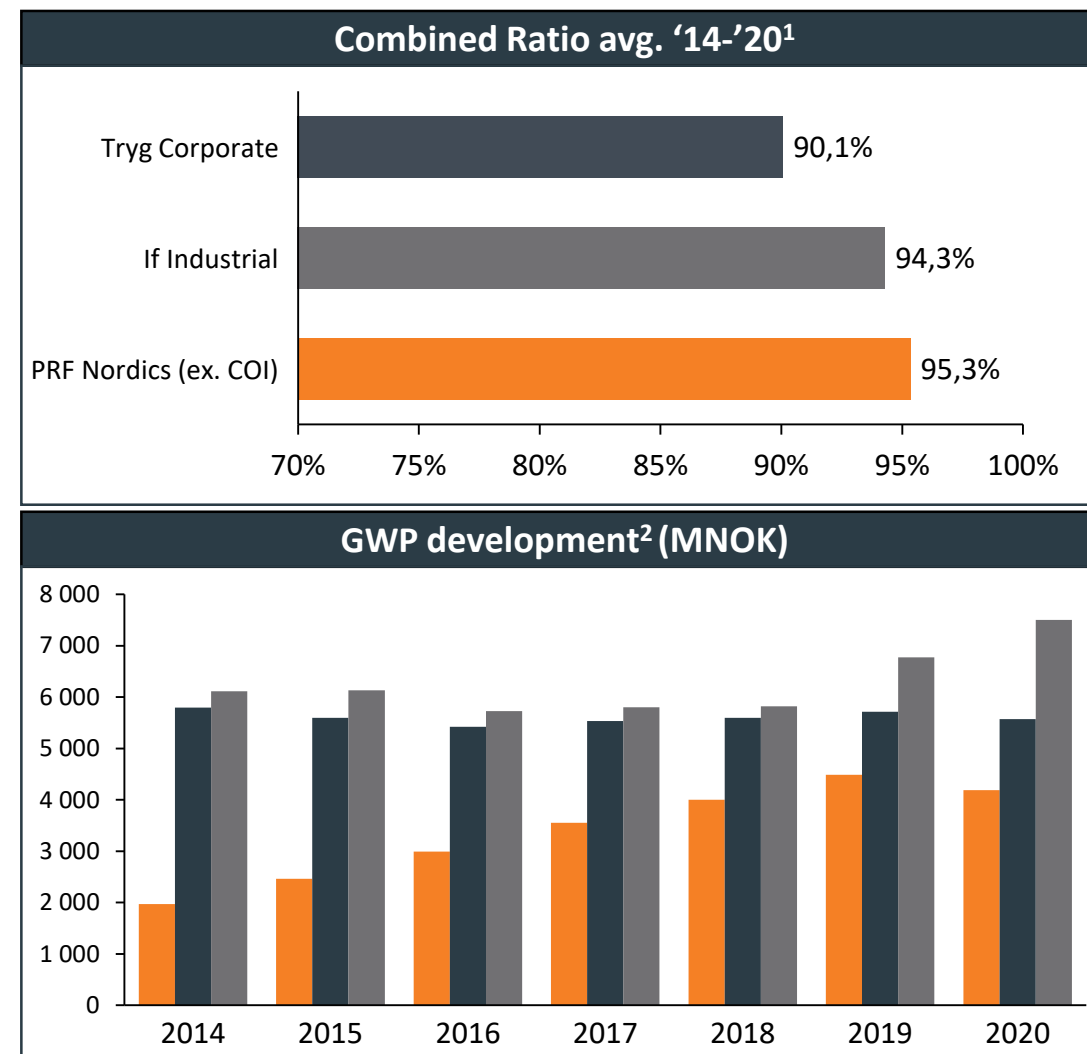
- Profitability comes first, growth second
- No capex booked at balance sheet entering new markets
- Geographical diversification increasing
- UK expected to be biggest geographical area in 2022
- Organic growth only
- GWP CAGR last 10 years at 24%



# Protector Nordic vs. Peers

## Growing to a nr. 3 position in the market

- Protector vs. If Industrial and Tryg Corporate
  - Same product mix
  - Same broker based sales channel
  - Same commission structure
  - Same average size of clients
- Profitable Nordic market
  - However with significant rate pressure 2013-2017
  - Prices started to increase in 2018 and have continued in 2019-2021
- Protector with a competitive Combined ratio
  - Despite growing fast
  - Despite expansion across borders
  - Due to our cost advantage



<sup>1</sup> CR volume weighted for comparison

<sup>2</sup> Volume translated in to MNOK; fixed exchange rates as of 31.12.2020

# Top 3 in any segment we enter

## Brokered Insurance Nordics & Public sector UK

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insurance

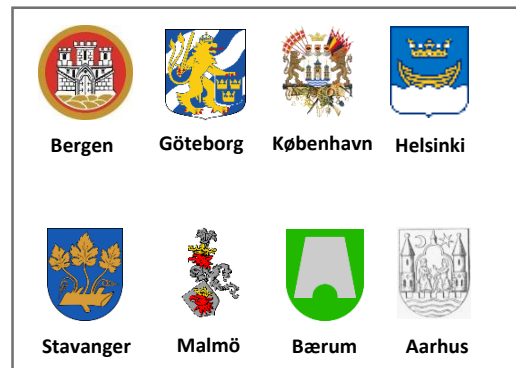
P&C Nordic



Nr. 1 Motor fleet Nordic



Nordic municipalities



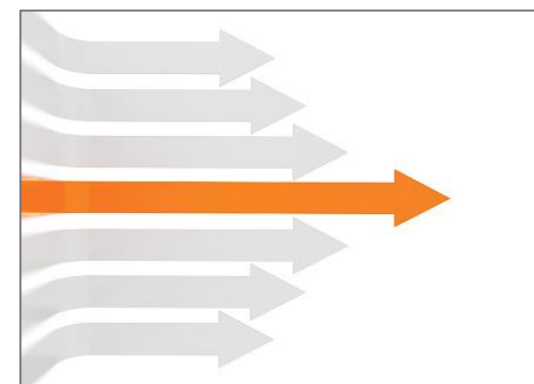
Nordic bus market



Public sector UK



Many others



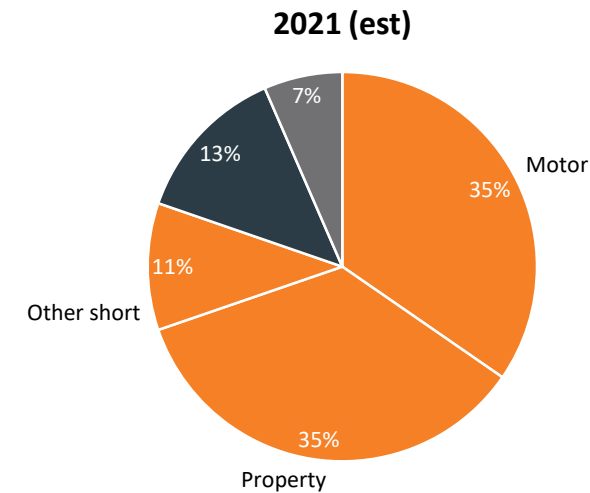
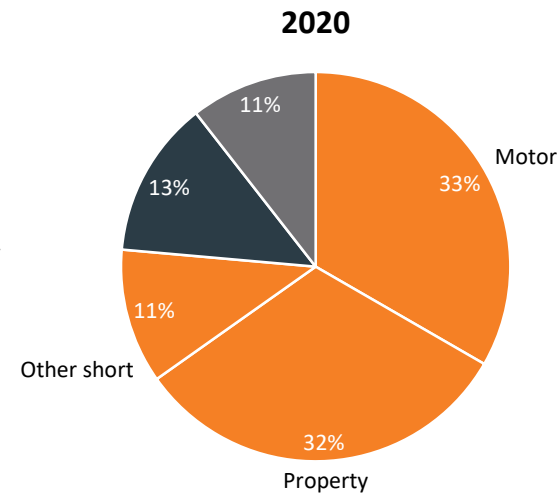
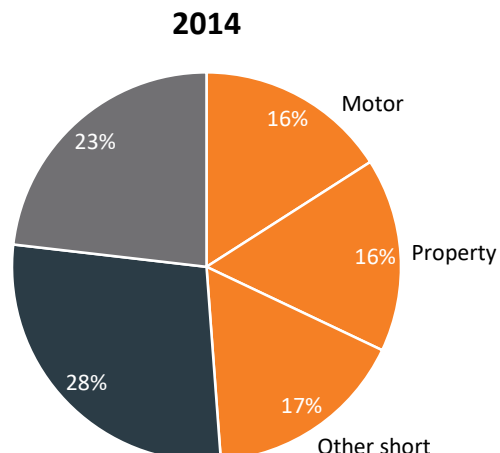
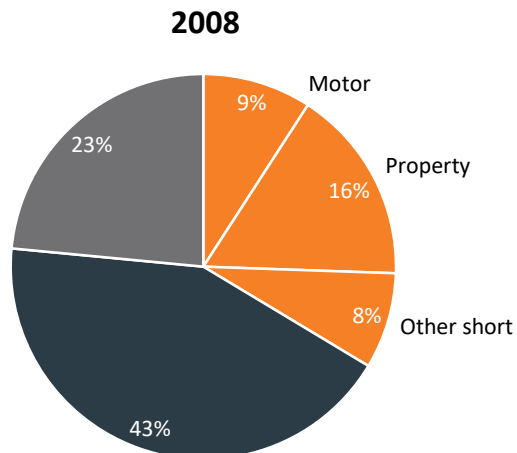
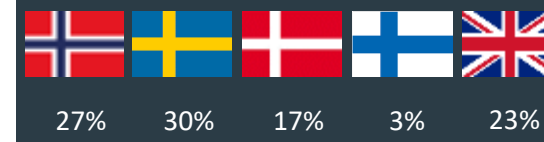
# Product mix development<sup>1</sup> – towards short tail

## Reduced risk profile and reduced capital consumption

- Short tail from **34%** in 2008 to **80%** in 2021
- Long tail attractiveness decreasing as risk free interest rate decline or disappear.
- Geographical diversification increased; four countries at critical mass
- Motor increasing from 9% in 2008 to 35% in 2021
- Avg. capital consumption per GWP in current portfolio at 31%, versus 45% in 2014

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insurance

Geographical diversification as of 31.12.2020:



Short-tail (1 year)

Medium-tail (2-5 years)

Long-tail (>5 years)

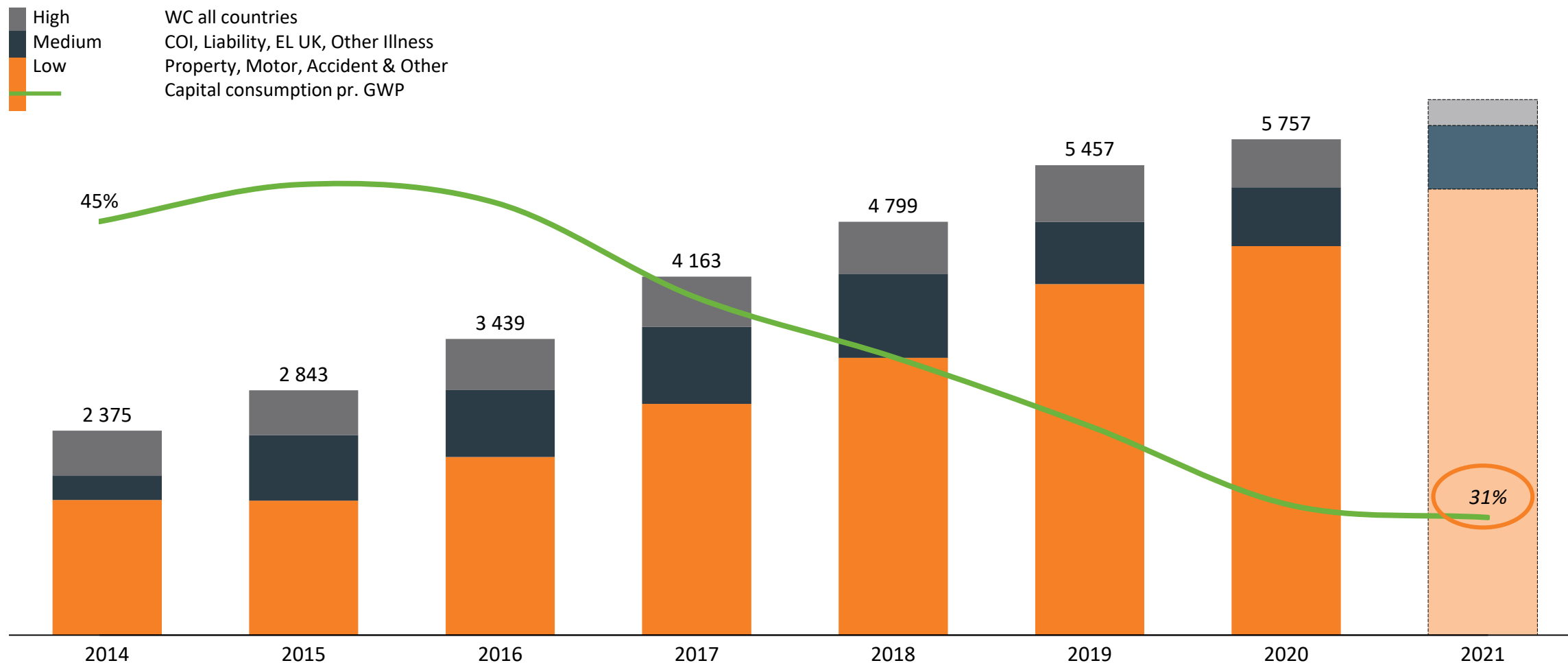
<sup>1</sup> Incl. Change of Ownership Insurance (COI)



# Capital consumption going down quickly

Increased ROE and shareholder distribution

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insurance



\* Incl. Change of Ownership Insurance (COI)

How did it happen?

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insurance

## 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/Open

Bold

Committed

” Culture eats  
strategy for  
breakfast!

It's our **DNA** -  
We are  
**The Challenger**



# The real secret

Know, understand and live our DNA – every day

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insurance



**G@W**  
Management training

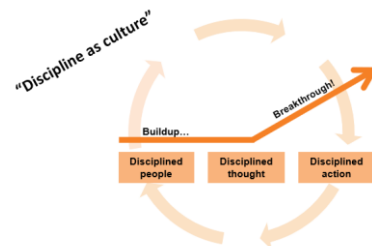
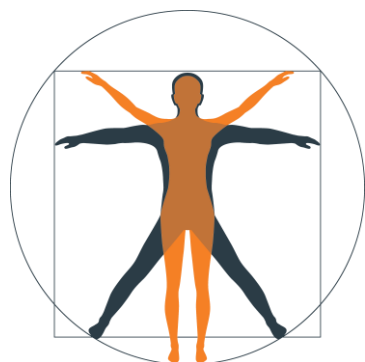
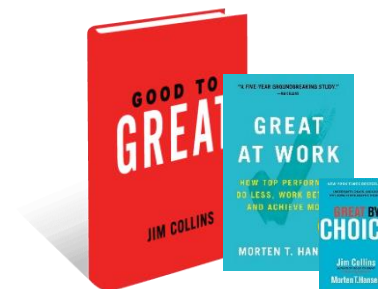
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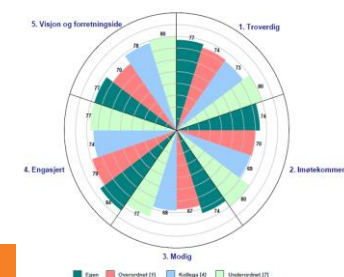
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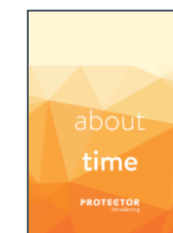
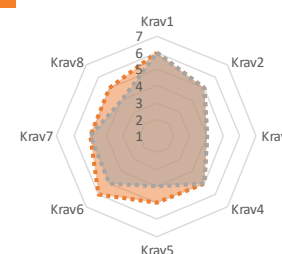
Committed



Scorecard-area 1	Målforankring	Scorecard-area 2
270/360	Måla	STP + medarbeidersemtale
Scorecard-area 3	Personal ide	Scorecard-area 4



## Protector Profile



# Never ever compromise on our DNA (TIME)

Values embedded in our every day work

**PROTECTOR**  
insurance

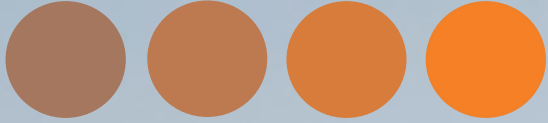


# Value creation in the long run

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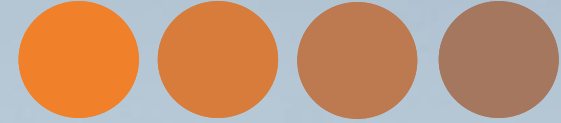
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**PROTECTOR**

# Executive summary

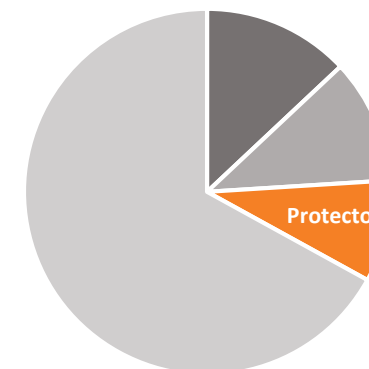
## Nordics – Back on track

- |                                       |   |
|---------------------------------------|---|
| • Profitability entering 2021         | Turn-around completed                               |
| • Cost efficiency measures            | Cost ratio down 1.5%-points in 2022                 |
| • Quality towards market              | Measured monthly through "Broker Instant Feedback". |
| • Price increases in 2021             | 4-5%-points higher than claims inflation            |
| • Underwriting discipline             | Further de-risking, but now on a moderate level     |
| • Nordic profitability outlook 2021   | Combined ratio < 90%                                |
| • Growth opportunities in the Nordics | Maintain discipline, low single digit 2021          |

**PROTECTOR**  
insurance



Margin  
Management





«We are different»

**PROTECTOR**  
insurance

## Our DNA

«Olemme erilaisia»

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«Vi är annorlunda»

«Vi er annerledes»

«Vi er anderledes»



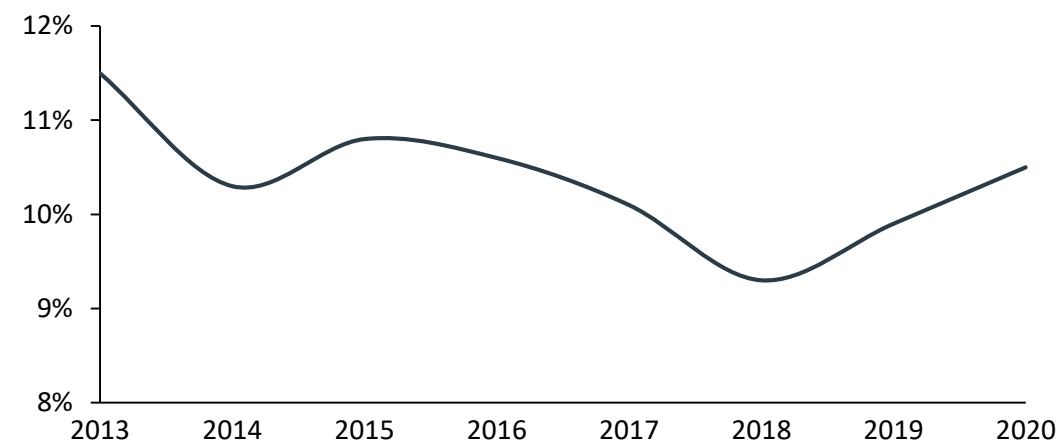
# Cost Leadership

## Turn trend around in the Nordics

### Creating cost leadership

- Define strategy, design value chains and implement .
- High premium volume per employee when critical mass is reached.
- Low overhead – Managers are operational.
- In-house IT with Cost ratio of  $\approx 1\%$ , vs 3.2% for industry (Gartner Inc.)

### Cost the real way<sup>1</sup>



### Gross expense ratio

	2013	2014	2015	2016	2017	2018	2019	2020	Avg. '13- '20
Protector Nordics (ex. COI)	7,5 %	6,4 %	7,3 %	6,0 %	7,3 %	7,6 %	7,7 %	9,6 %	7,6 %
Tryg Corporate	11,8 %	11,1 %	10,8 %	11,0 %	10,2 %	9,9 %	10,4 %	11,4 %	10,8 %
If Industrial	16,1 %	16,1 %	17,3 %	17,6 %	17,1 %	16,0 %	14,6 %	na	16,3 %

<sup>1</sup> Gross cost incl. claims handling ex. broker commission cost w. normalized bonus scheme.

# Quality leader in Scandinavia

Elements of dissatisfaction following price increases

Broker satisfaction index done annually through Protector, Broker houses and/or broker associations

13 years in a row



2 yrs consecutive



7 years in a row



#2 in 2018



# Claims results deteriorated

2021 – Profitability turn around completed

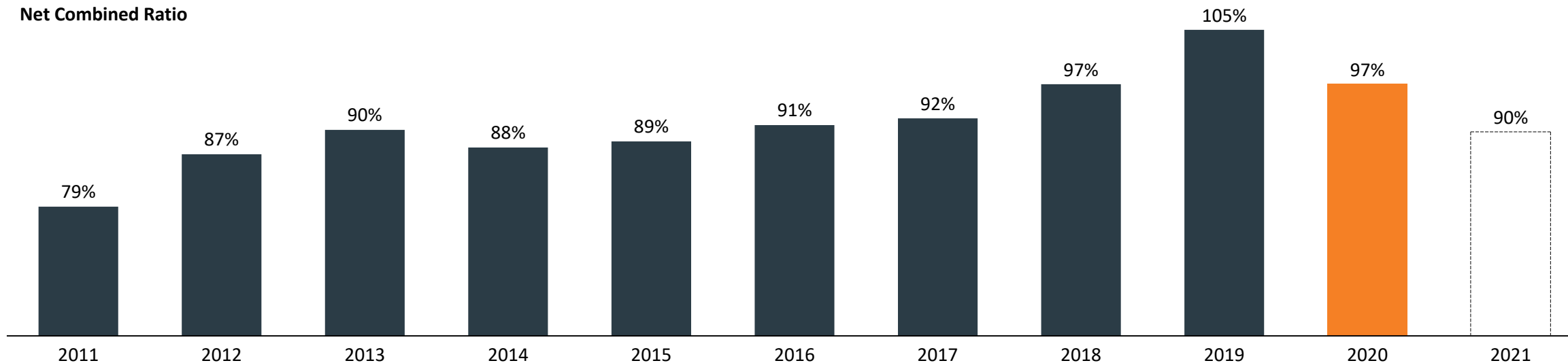
## Gradually worsening

- Average Return on Equity previous 10 years at 18%.
- Underlying realities worse in 2014-2016 and better 2018-2020.
- Denmark very poor claims results in 2020 driven by early years.

## Profitability improvements

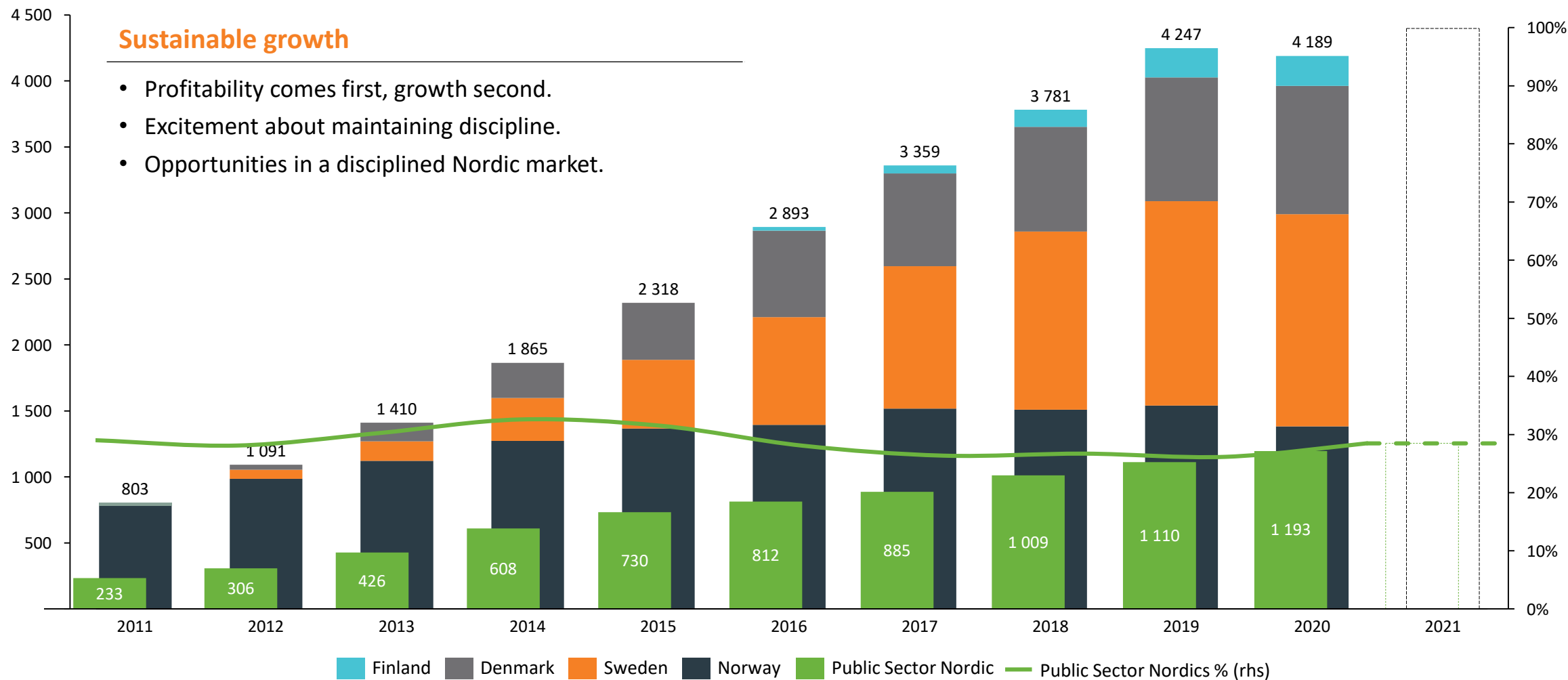
- ROE focus makes long-tail less attractive.
- Significant Nordic price increases.
- Stronger UW discipline in some markets/segments

### Net Combined Ratio



# Volume growth

12.5 % CAGR 2016-2020, single digit going forward



# Cost efficiency

Right-sizing to strengthen cost leadership.

Earned premium / FTE	2018	2019	2020	2021
NO	22.1	20.0	18.8	22.4
SE	12.5	14.8	16.1	18.4
DK	19.4	20.2	16.5	17.2
FI	8.8	11.3	9.4	9.0
Nordics	16.7	17.3	16.4	18.4

Cost the real way	2018	2019	2020	2021	2022
NO	6.1%	6.9%	7.6%	6.5%	5.7%
SE	8.7%	7.8%	8.1%	7.2%	6.5%
DK	9.1%	9.3%	11.0%	8.6%	7.5%
FI	13.1%	11.1%	9.3%	11.5%	9.4%
Nordics	7.9%	8.0%	8.6%	7.5%	6.6%

- Manning has increased while growth halted.
  - Efficiency has not been prioritized during 2018-2020.
- Price increases and #policy decreases support efficiency.
- 2%-points improvement from 2020-2022 is possible.
  - "Low hanging fruit" has been taken.
- Further right-sizing based on 2021-2022 volume.



# Quality Leadership

Broker Instant Feedback supports quality control.

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insurance

- Monthly pulse to all brokers based on activity level.
- SMS for easy access and response, scale 1-4.
- Immediate follow-up of all "1" – very unhappy.
- Individual follow-up on broker satisfaction too learn and train.

1	1	0 (0%)
2	2	1 (6%)
3	3	3 (18%)
4	4	12 (71%)
Standardavvikelse		0.00
Medelvärde		0.00
Svar totalt		17

*Initial feedback is very good.*



Happy – very happy

"Thanks for your positive feedback!"



Unhappy

"Please provide feedback on email... if we can assist you"



Very unhappy

"We are sorry. Your KAM will contact you within 24 hrs"



# Price increases

Will improve profitability 4-5% in 2021

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Very low churn on P&C.  
High churn on Workers Comp.

2020

≈ 14.5%

2021

Slightly less than 2020



Very large variation on products and segments.  
Motor much lower. Real estate average +40%.

≈ 13.0%

Less than 2020 in total.  
Larger variation.



Very high churn driven by Workers Comp.  
Deliberate due to capital consumption.

≈ 11.9%

Slightly less than 2020



Very low churn on all products.

≈ 21.7%

Less than 2020



Low churn. Majority unprofitable.

≈ 13.7%

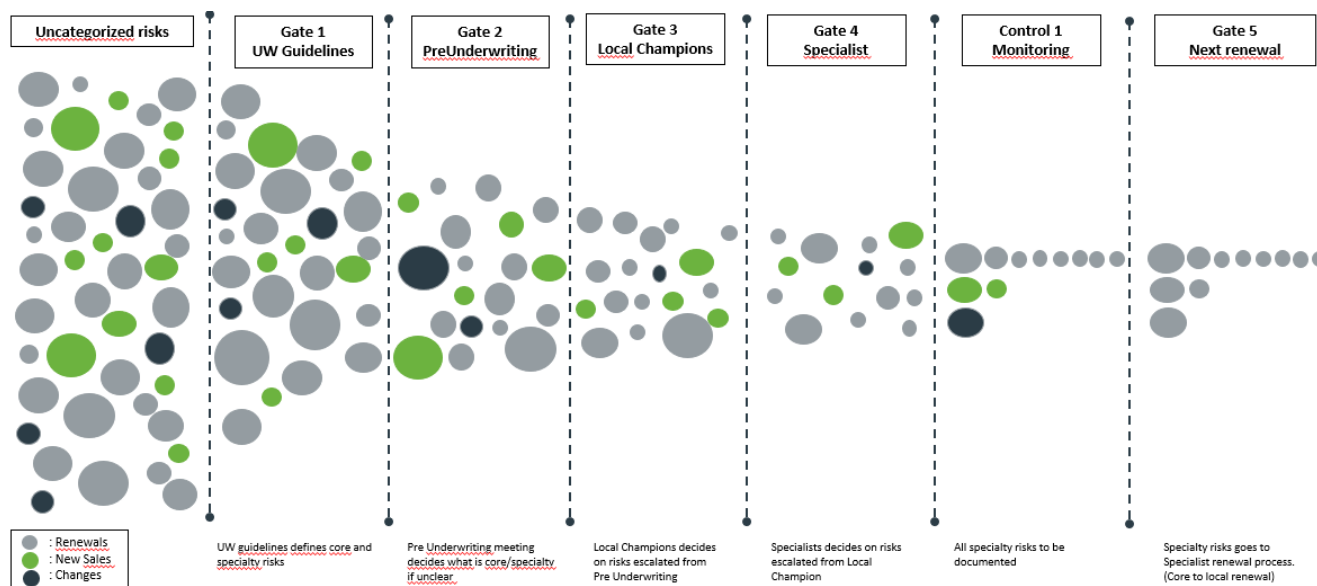
8.7% in January  
Higher going forward.

- Average claims inflation (all products) 3-4 % in the Nordics, higher on Motor and Real Estate

Margin  
Management

# Portfolio Quality

Further de-risking on a moderate level.



- 80% of contract controlled for deviations.
  - All large exposures covered.
- # 4106 deviations clarified before renewal.
- Exposures controlled and pricing risk adjusted where relevant.
- Policy data improved.
- IT's highest priority is to improve data structure.

Microscoping	#Contracts to renewal	#Microscoped	#Deviations found
NO	5 102	3 925	1 895
SE	648	648	1 950
DK	423	340	184
FI	75	75	77
Protector	6 248	4 988	4 106

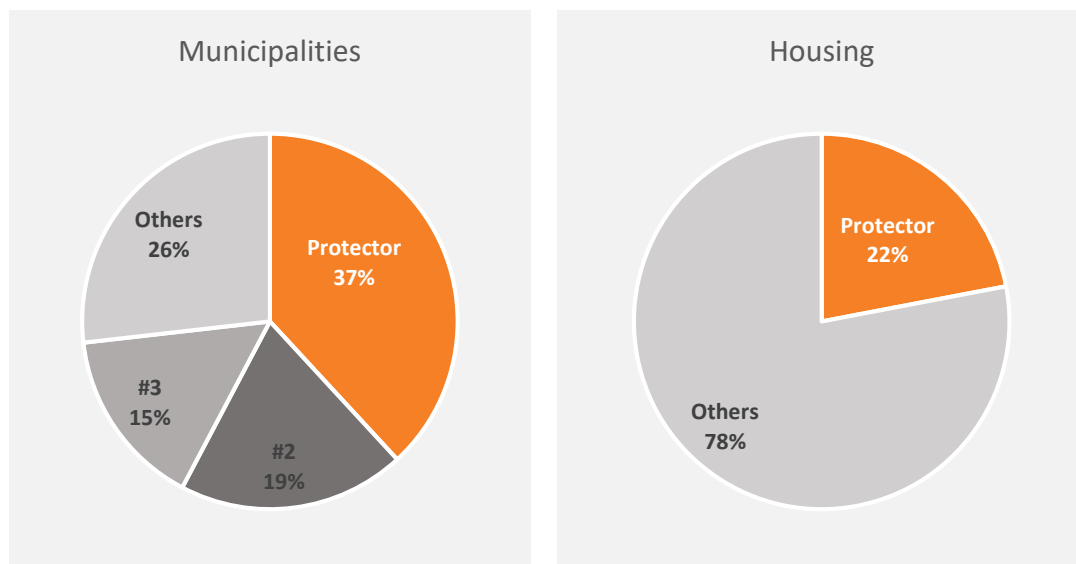


# Market position

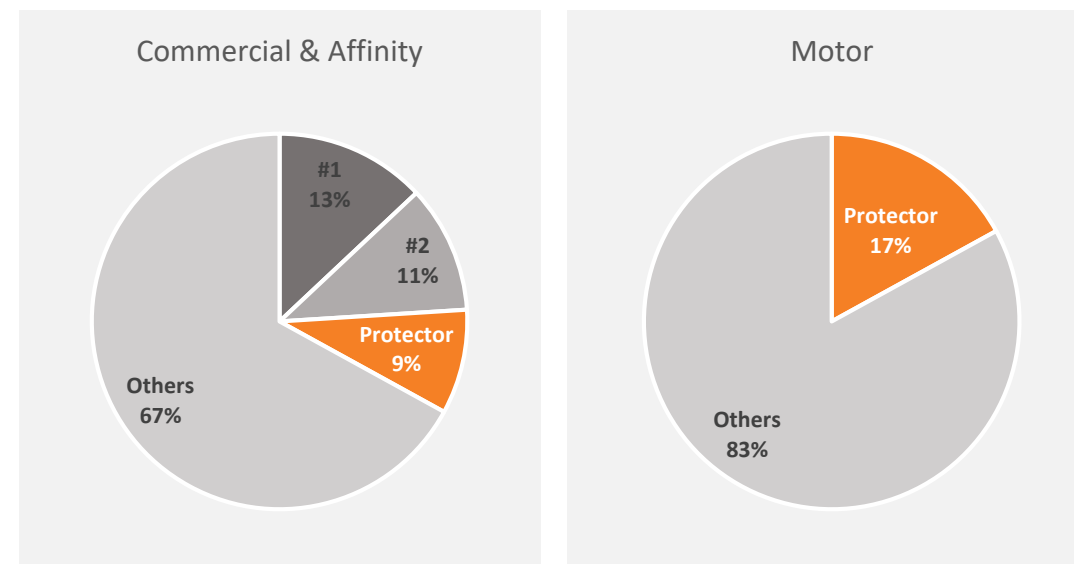
## Market share at 12% – opportunities in Public Housing and Motor

- Public sector is dominated by 2-3 insurers in each market.
- Mutual insurers are much more represented in all markets.
- Cost efficiency is critical to succeed.
- Commercial and Affinity is dominated by 3-4 local insurers.
- International subsidiaries are focusing on niches.
- Cost and quality is key for profitable growth.

### Public Sector – NOK 3 bn – market leader by far



### Commercial and Affinity – NOK 30 bn – top 3

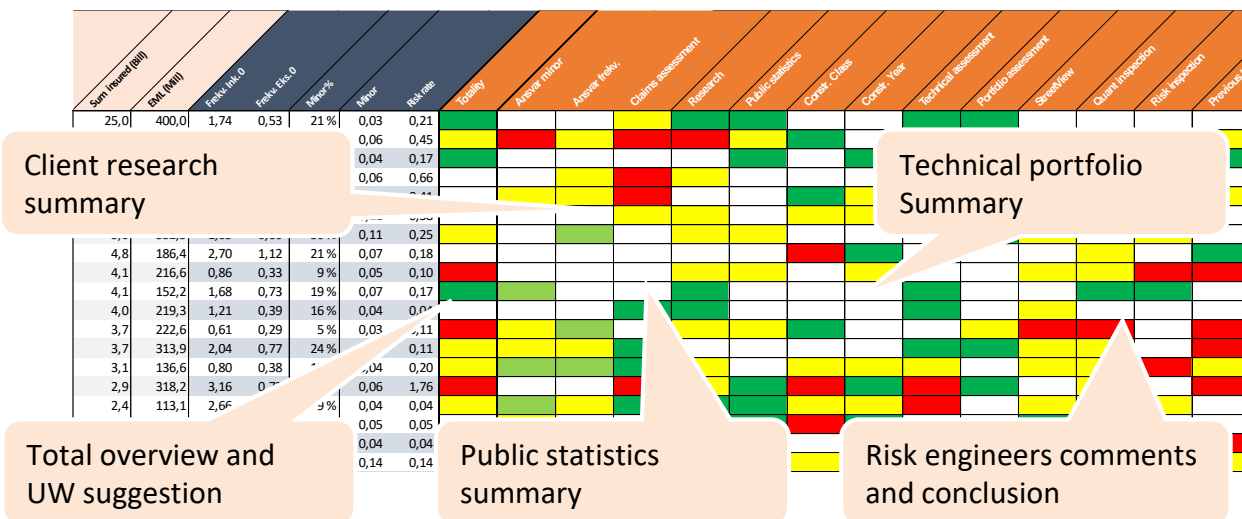


# Public Sector

Consistent risk selection comes first, growth is secondary

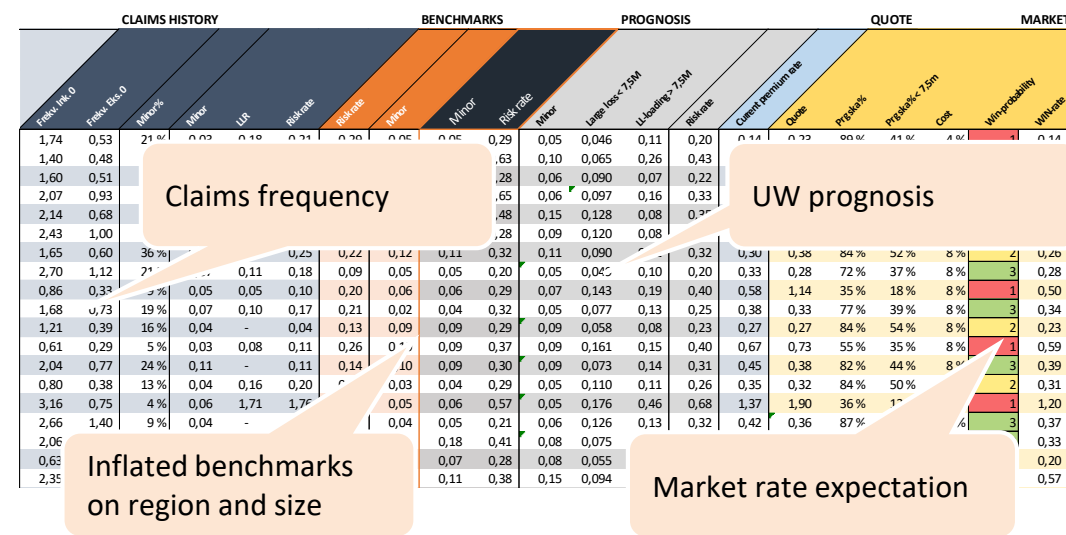
## 15 years on consistent approach to risk selection

- One UW all lines, Director or Chief UW in all processes
- > 400 factors per UW-case – simple overview
- Approximately 500 000 claims in our database



## Consistently beating the market on large loss frequency

- Loyal to methodology – no «red» risk written.
- Portfolio development and avoiding large losses.



# Executive summary

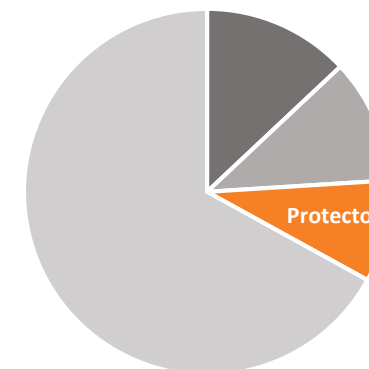
## Nordics – Back on Track

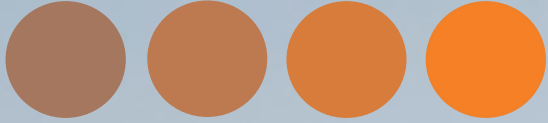
- |                                       |   |
|---------------------------------------|---|
| • Profitability entering 2021         | Turn-around completed                               |
| • Cost efficiency measures            | Cost ratio down 1.5%-points in 2022                 |
| • Quality towards market              | Measured monthly through "Broker Instant Feedback". |
| • Price increases in 2021             | 4-5%-points higher than claims inflation            |
| • Underwriting discipline             | Further de-risking, but now on a moderate level     |
| • Nordic profitability outlook 2021   | Combined ratio < 90%                                |
| • Growth opportunities in the Nordics | Maintain discipline, low single digit 2021          |

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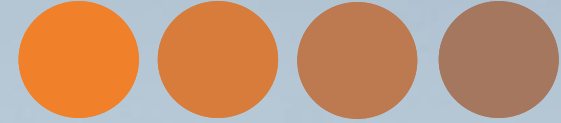
Margin  
Management





# Capital Markets Day 2021

Virtual Webcast | March 10<sup>th</sup> | From 10:00



10:00 – 10:30	Protector – We have only just begun
10:30 – 10:45	Nordics – Back on Track
<b>10:45 – 11:00</b>	<b>UK – A Disciplined Team Journey</b>
11:00 – 11:15	Investments – Core business
11:15 – 11:40	Long-term target and shareholder distribution
11:40 – 12:00	Summary, Succession and Q&A

**PROTECTOR**

## 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/Open

Bold

Committed



# UK Summary 2016-2020

A disciplined Team Journey has just begun

- £10bn market in scope, £3bn market in focus, many years of growth ahead

- Three segments

- |               |                         |
|---------------|-------------------------|
| • Public      | UW & cost advantage     |
| • Housing:    | UW & cost advantage     |
| • Commercial: | Careful entry, one team |

# 3 today

# 3 today

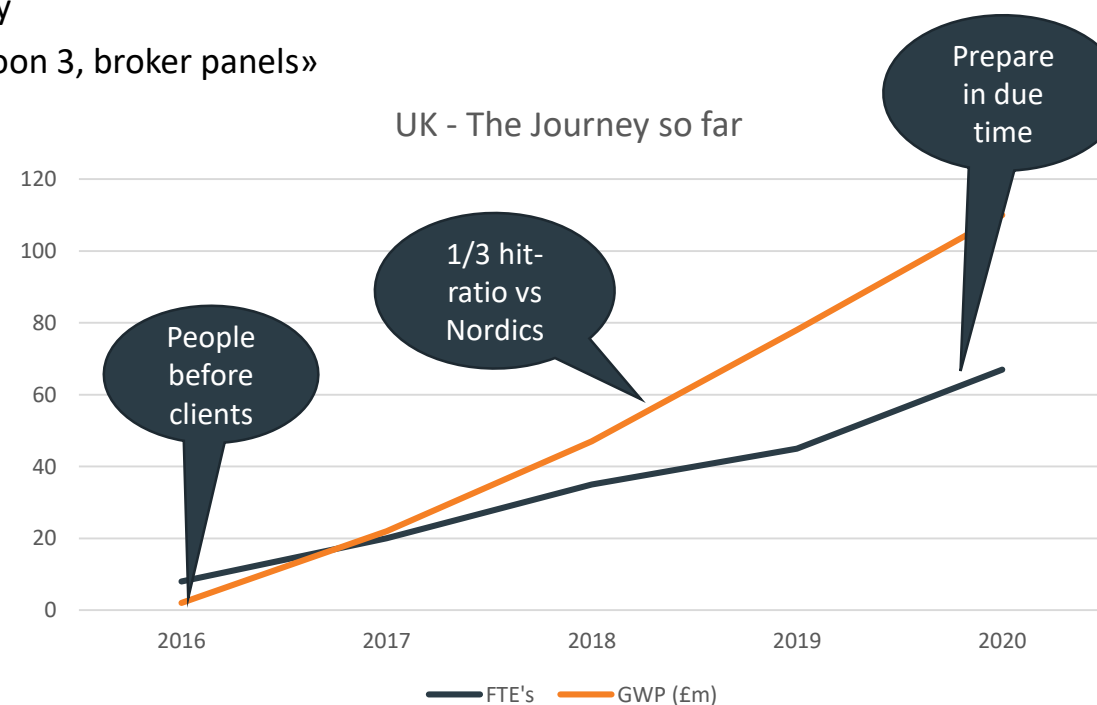
«on 2, soon 3, broker panels»

- Profitable in 2019 and 2020

- Profitable in year 4 and 5 (like in Sweden)
- Some luck on large losses
- Good underlying profitability
- Improved Reinsurance terms

- Culture is key

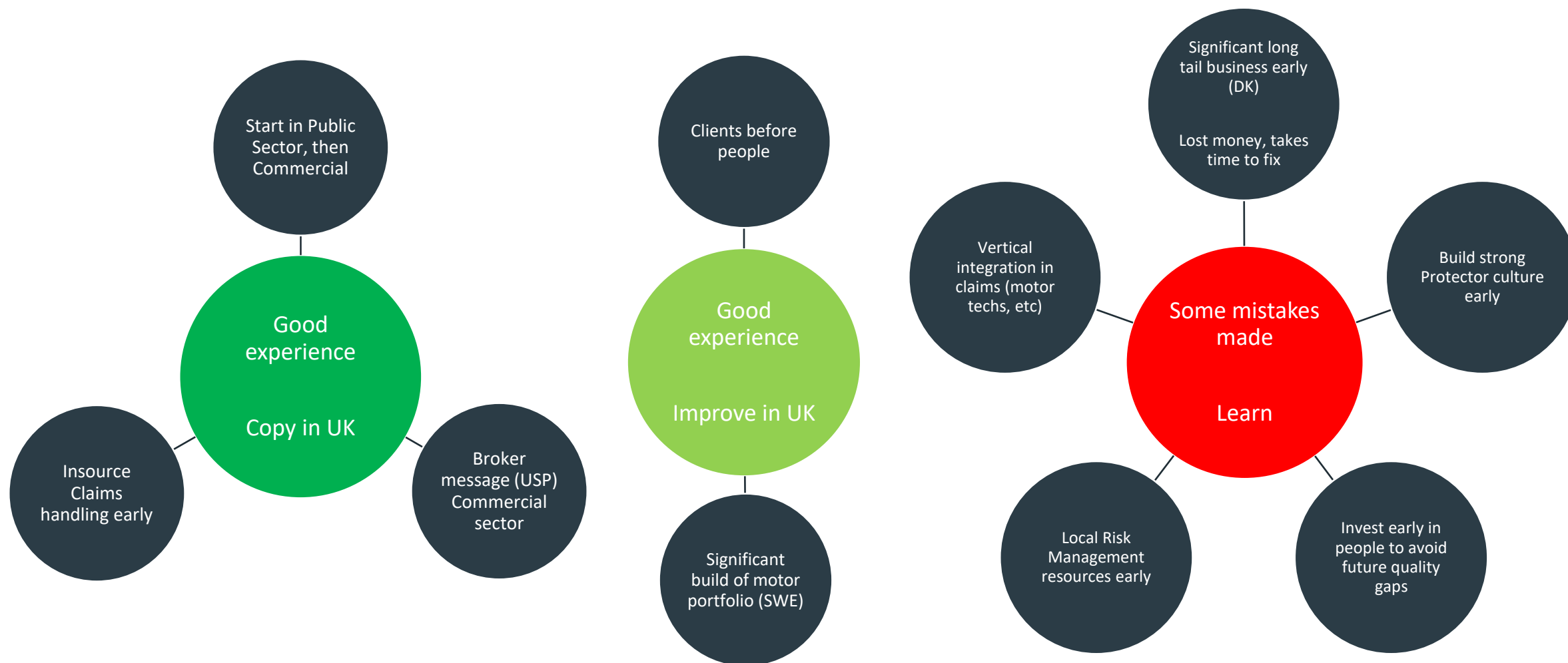
- Quality leader
- Up-front investment in people for future





# Lessons learned from entering Sweden and Denmark

Making mistakes is ok – if they are shared and not repeated



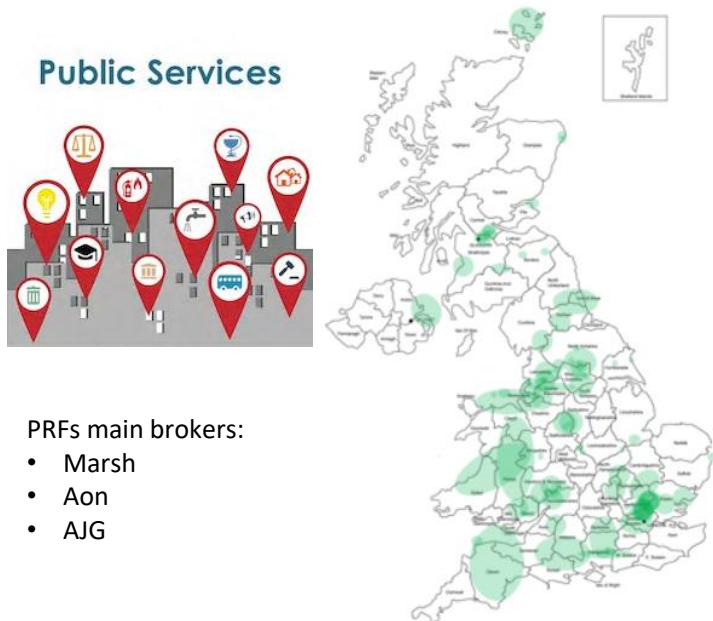
# Our Segments and brokers

Selected Brokers, search for Competitive Edge, do it well

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## Public Sector

### Public Services

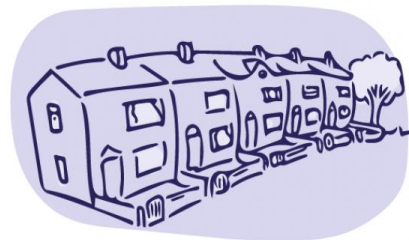


PRFs main brokers:

- Marsh
- Aon
- AJG

> £600m market  
UW Excellence  
Home Market

## Housing Associations



PRFs main brokers:

- Marsh

> £300m market  
Cost advantage key  
(low deductibles)

## Commercial Sector



PRFs main brokers:

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- Aon

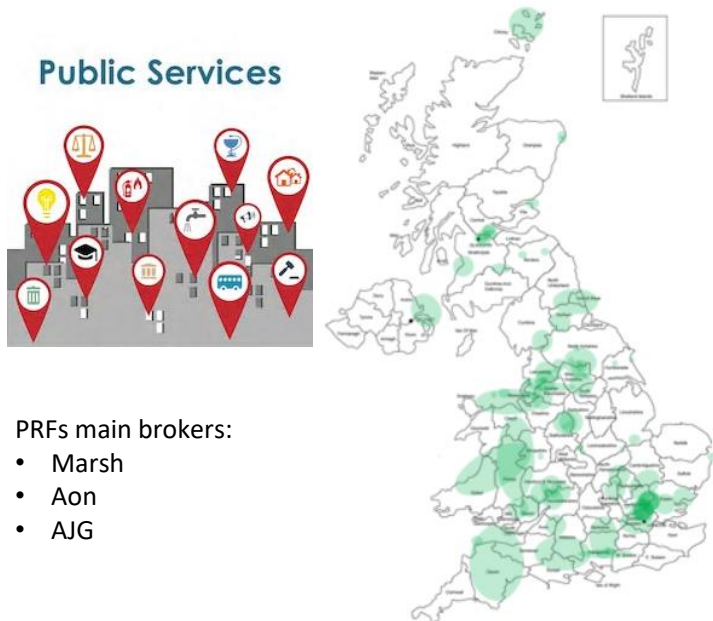
Large clients (£250k avg.)  
Risk managed clients  
Property & Motor largest LOBs

# Public Sector & Housing Association

Top 3, disciplined UW, risk selection & cost advantage

## Public Sector

### Public Services

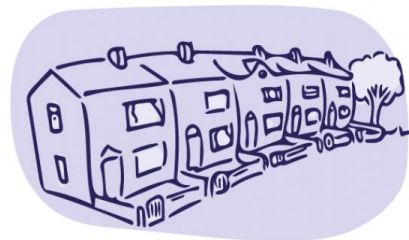


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## Housing Associations



PRFs main brokers:

- Marsh

> £300m market  
Cost advantage key  
(low deductibles)

- Market leader with > 50 % share
- Clients selection through consistent UW methodology
- One UW, all products
- Focused RM approach

## Large Clients, focused distribution, Risk Management focus

## Commercial Sector



PRFs main brokers:

- Marsh
- Aon

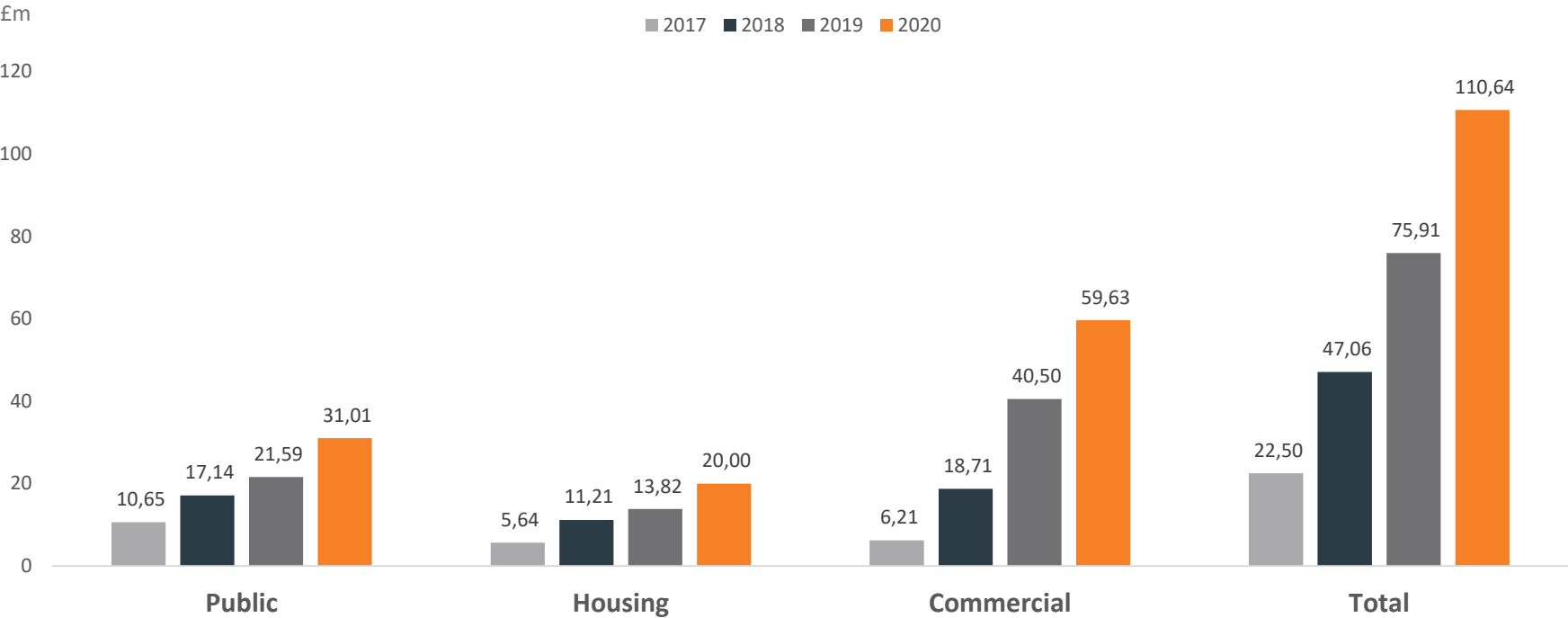
Large clients (£250k avg.)  
Risk managed clients  
Property & Motor largest LOBs

- Core Products – Property, Casualty & Motor
- Gradually expanding distribution
- Wide risk appetite – Narrow customer focus
- Strong analytical bias
- Major customer proposition
- Embedded Risk Management approach

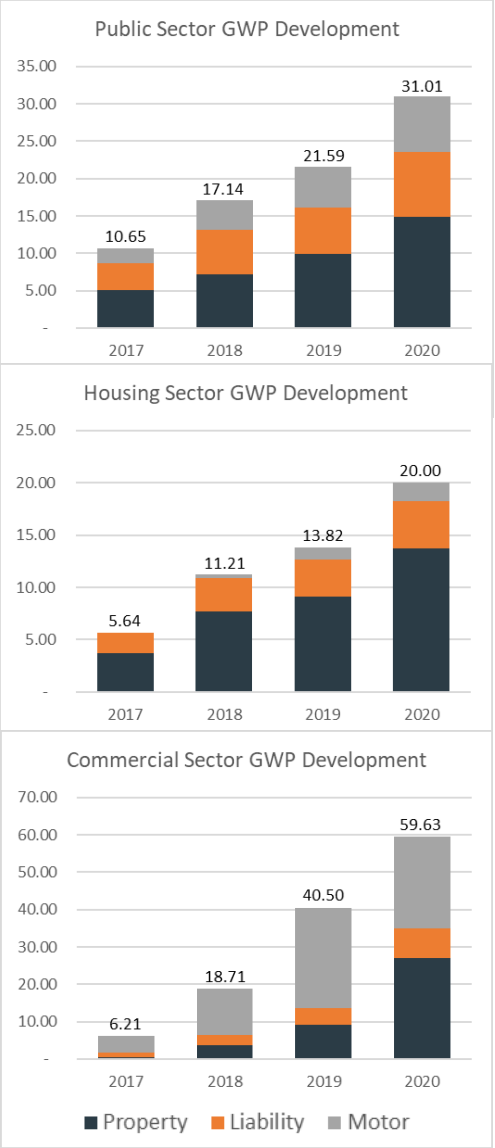
# Disciplined growth in a large market

61% avg. annual growth since 2017 with lots more potential

## UK GWP Growth

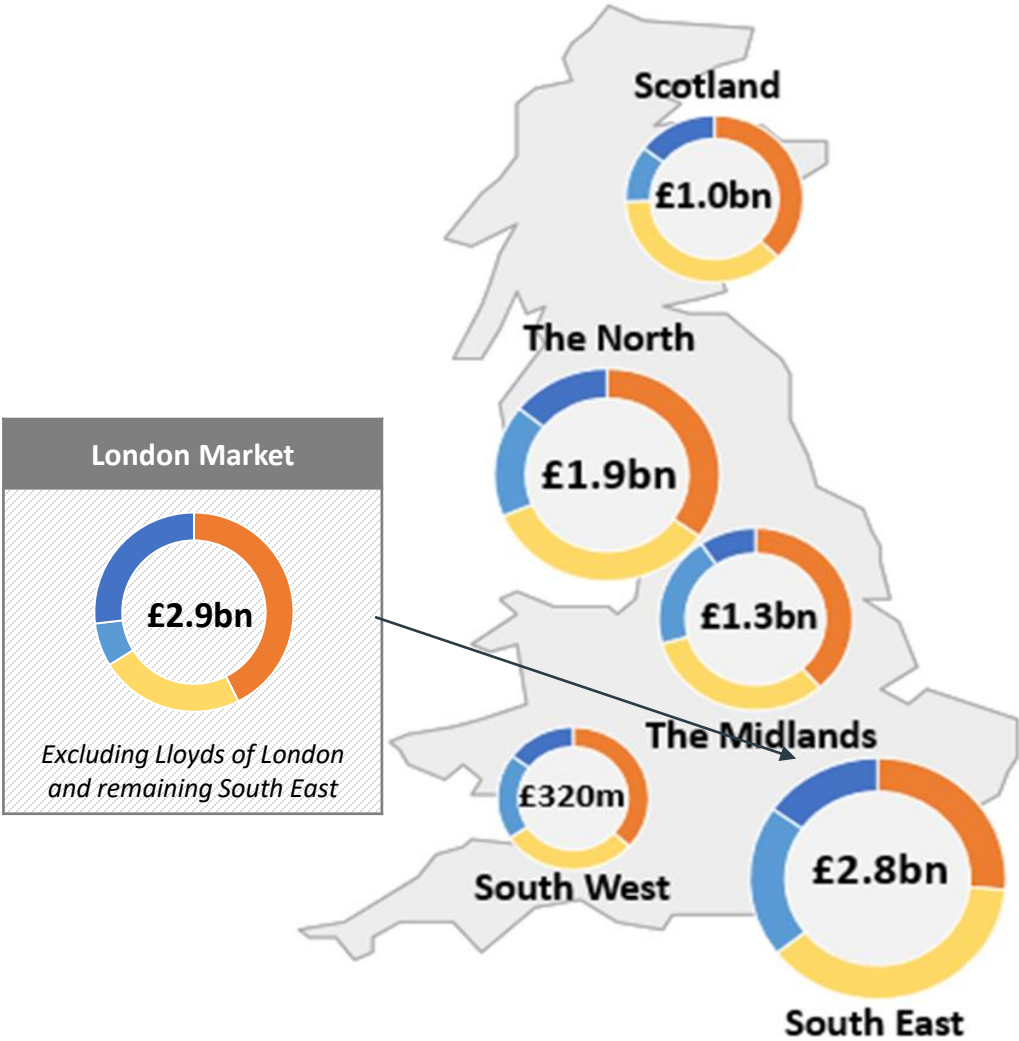
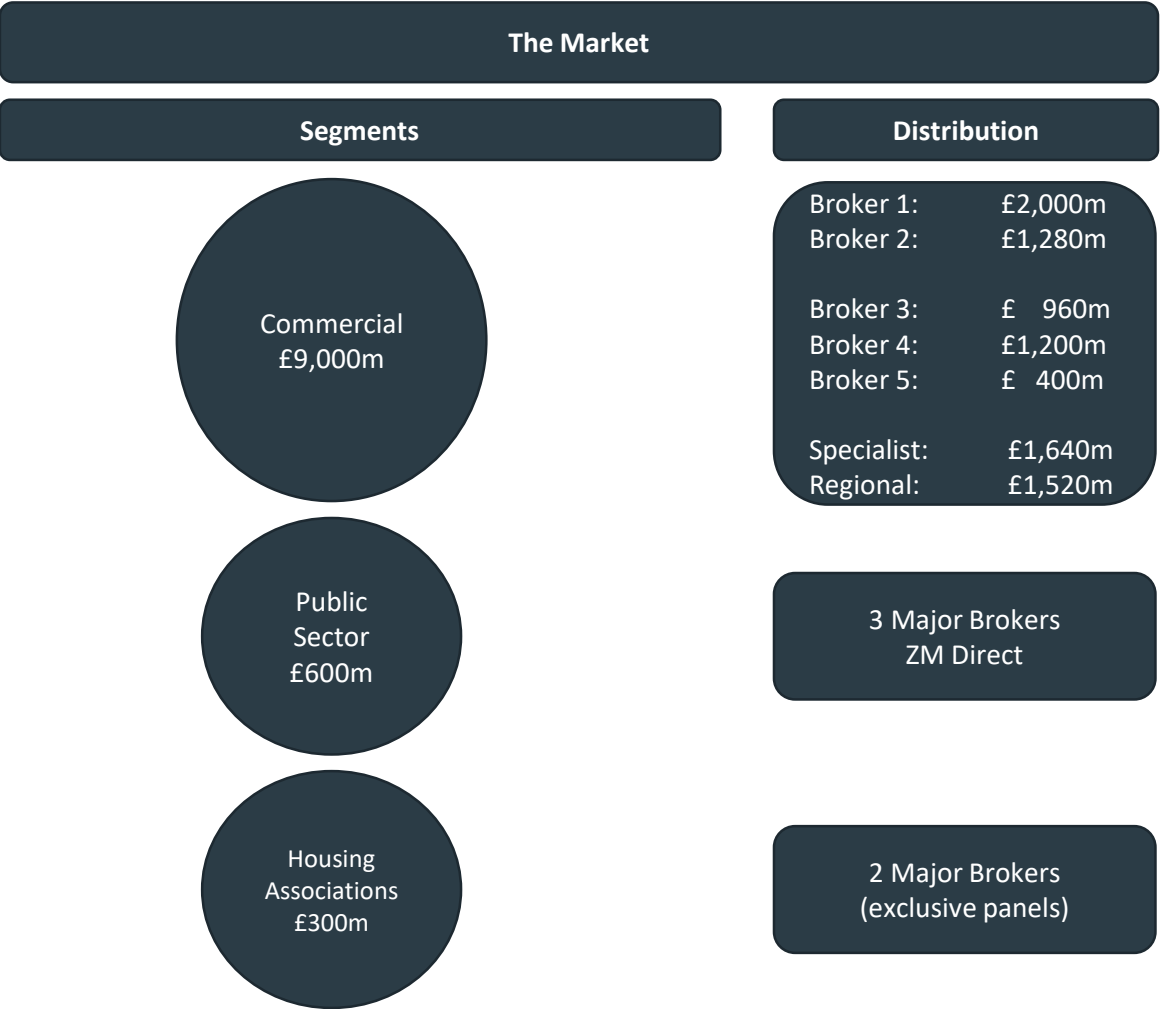


COR:	110%	97%	73%	87%	109%	108%	119%	97%	86%	112%	99%	86%
Market (in focus) Share:	2.9%	3.6%	5.2%	3.7%	4.6%	6.7%	0.9%	2.0%	2.8%	1.6%	2.6%	3.8%



# The UK Market

£10bn+ – Growing despite Brexit & Covid 19



# The UK Market

Huge opportunity, targeted focus – Underwrite the client

- In scope UK Market                      GWP £10 bn +
  
- In Focus                                      GWP £2.9bn +
  - Whereof Commercial              GWP £2.0bn +
  - Whereof Public                      GWP £0.9bn +
  
- Competitive landscape: 15-20 providers (reducing)
  - Top 5                                      50 %
  - 6-10                                        25 %
  - 11-15                                      10 %
  - The rest                                    10 %

Current Risk Appetite	High	Medium	Low
	Manufacturing Retail & Wholesale Public Administration	Real Estate Specialist Areas	Financial Institutions / Professional Services
High	1.2	0.6	0
Medium	0.8	0.3	0
Low	1.9	0.9	4.3
Total	3.9	1.8	4.3
Protector's current viewpoint	Core appetite Focus: Property, Casualty, Motor	High distribution costs Products outside of scope	Products outside of scope PI – Largest exposure



# UK 'One Team' Development

Prepared for the future, committed to the culture and curious

Action	What is it?	Comment	Focus / Project
Cultural onboarding	UK Journey / BU's Overview	Remote presentation for new starters	Cultural Lead
TIME champion	Living the values nominations	One Team meeting. Included in Q2 lockdown	Cultural Lead
Deep work	6hrs per week to do complex work.	No distractions	Cultural Lead
Monthly Wellbeing chats	Support bubbles/groups	Utilise existing buddy systems	RTO project
Monthly team meetings	Business updates and recognition & reward	Last Friday of the month. End on a social theme	RTO project
One Team break	Daily 15 min slot with a champion owner	Cross team social chat	RTO project
Embedded			
Lockdown initiative			

Cultural initiatives



- Protector Cultural Lead – 2019 & 2020
- 80+ employees (33 on-boarded in 2020)
- Seamless transition to WFH
- Advancing training & Development – through internal & external programs
- Two locations – One team – culturally embedded



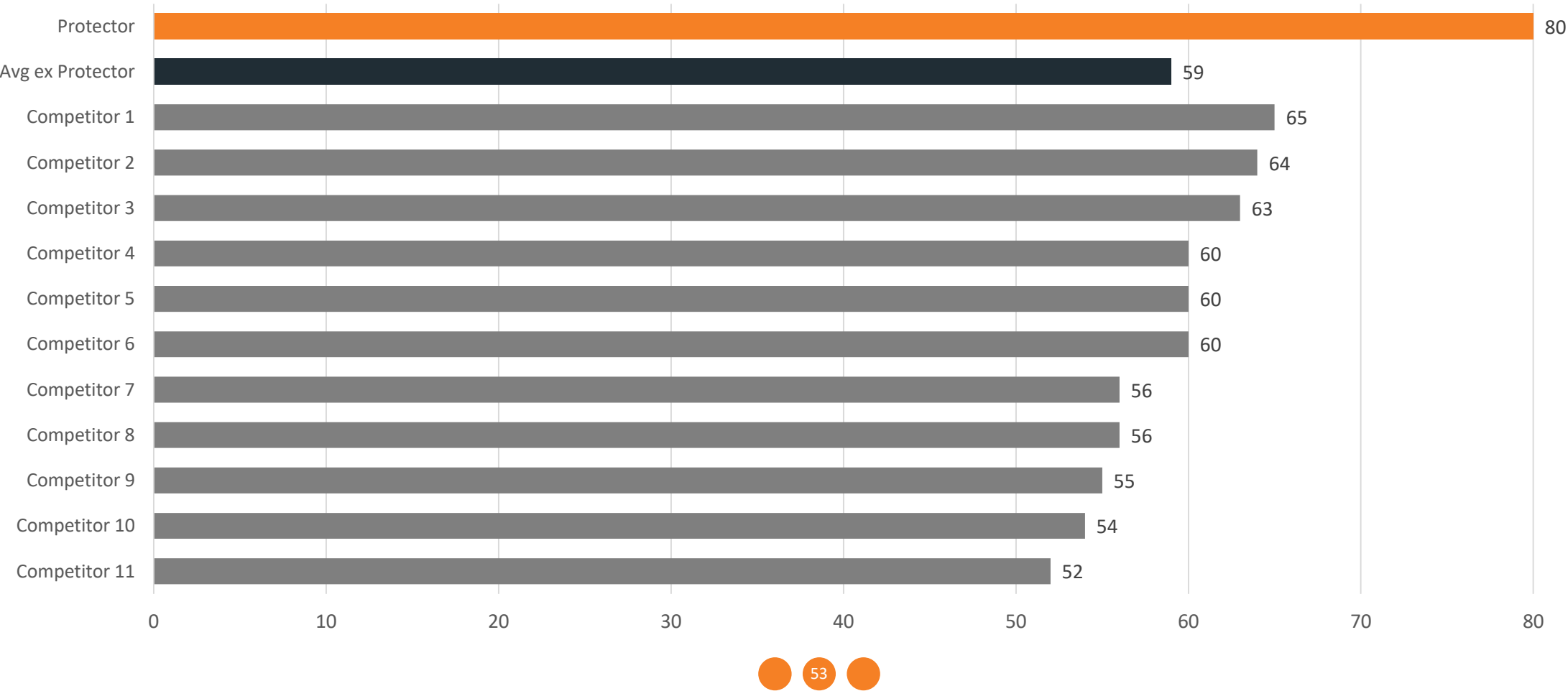


# Broker Satisfaction

Perception is reality, strong results in 2020, never compromise on quality



BSI UK 2020 - Totality



# UK Summary 2016-2020

A disciplined Team Journey has just begun

- £10bn market in scope, £3bn market in focus, many years of growth ahead

- Three segments

- |               |                         |
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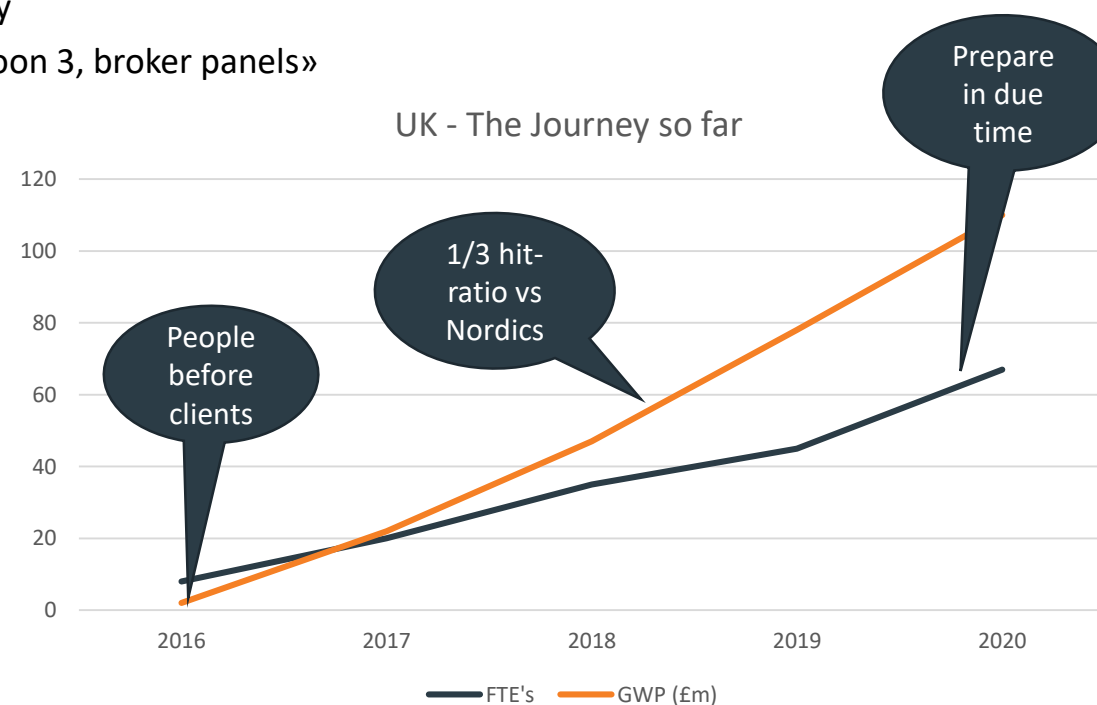
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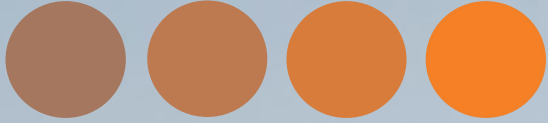
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- Improved Reinsurance terms 2021

- Culture is key

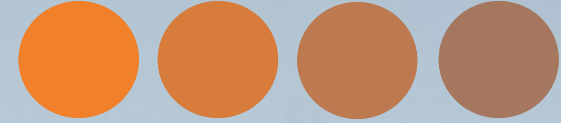
- Quality leader
- Up-front investment in people for future





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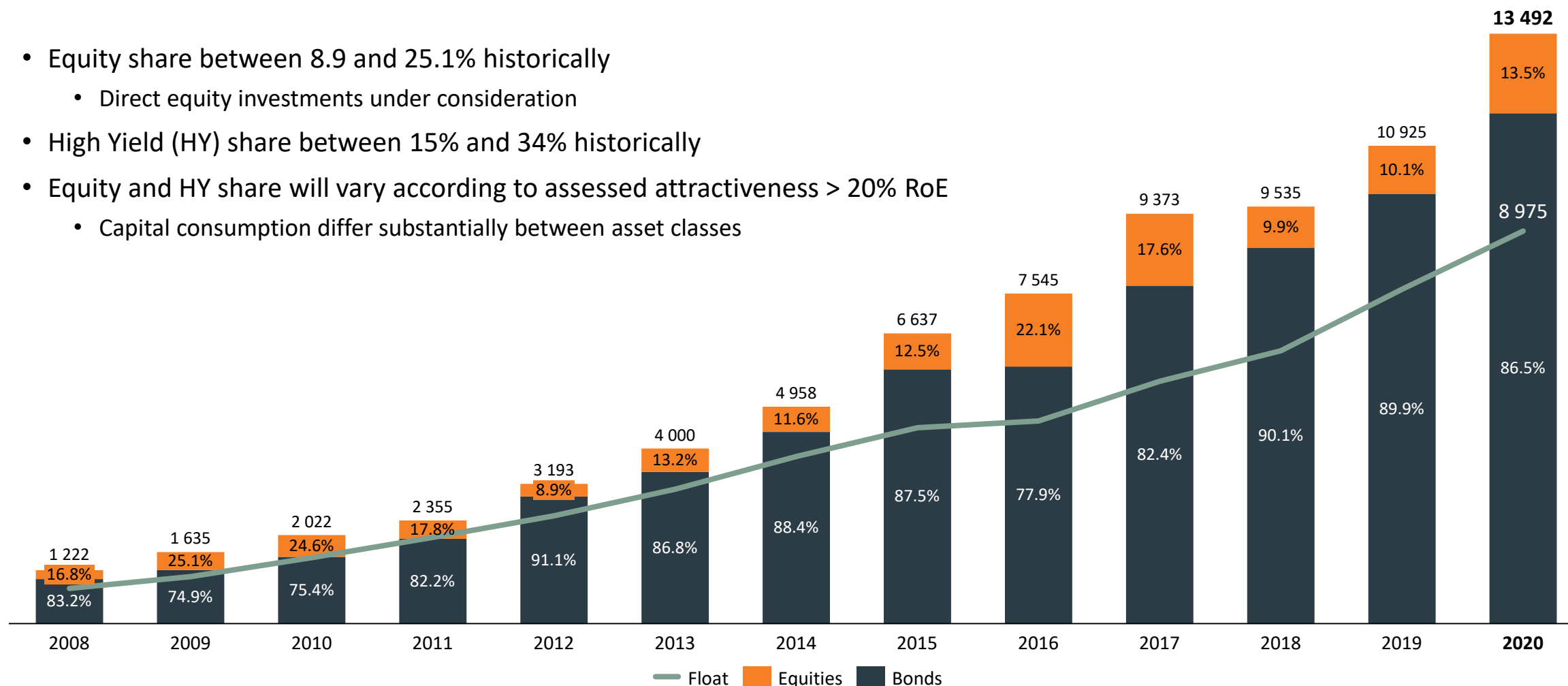
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<b>11:00 – 11:15</b>	<b>Investments – Core business</b>
11:15 – 11:40	Long-term target and shareholder distribution
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# Investment is core

CAGR AUM last 5 years of 15.2%

- Equity share between 8.9 and 25.1% historically
  - Direct equity investments under consideration
- High Yield (HY) share between 15% and 34% historically
- Equity and HY share will vary according to assessed attractiveness > 20% RoE
  - Capital consumption differ substantially between asset classes



# Protector's financial underwriting method

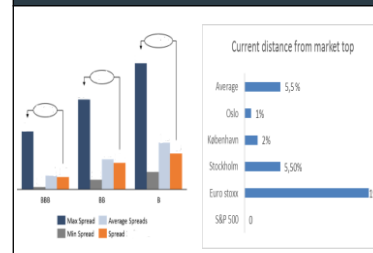
## Overall investment hurdle rate at 20% company RoE

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### Protector's analysis process

- Portfolio allocation based on risk/reward considerations/ high hurdle rate (min. 20% RoE)
- Stress test to ensure that we withstand any financial crisis
- Thorough bottom-up analysis, the cornerstone of our investment approach
- Watchlist includes light follow-up on all Nordic high-yield bonds, and many European small/mid-cap equities
- Continuous process improvements

### Stress test



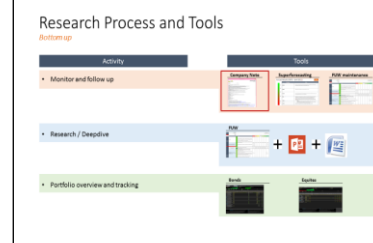
### Risk allocation



### New ideas and watchlist



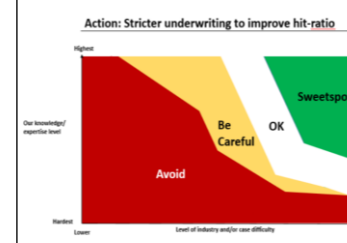
### Bottom-up analysis



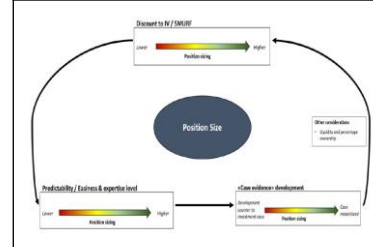
### FUW

Company	Market Cap	Revenue	Profit	ROE	Debt/Equity	Dividend Yield
Company A	100M	10M	1M	10%	0.5	5%
Company B	200M	20M	2M	10%	0.5	5%
Company C	300M	30M	3M	10%	0.5	5%
Company D	400M	40M	4M	10%	0.5	5%
Company E	500M	50M	5M	10%	0.5	5%

### Difficulty & expertise



### Position sizing



### Quarterly update

Company	Market Cap	Revenue	Profit	ROE	Debt/Equity	Dividend Yield
Company A	100M	10M	1M	10%	0.5	5%
Company B	200M	20M	2M	10%	0.5	5%
Company C	300M	30M	3M	10%	0.5	5%
Company D	400M	40M	4M	10%	0.5	5%
Company E	500M	50M	5M	10%	0.5	5%

### Market/macro backdrop



# Investment strategy – equities

Focus on level of difficulty and risk/ reward

## Protector

### Horizon

- Long term ownership returns

“Do not buy a farm just because you expect a lot of rain this summer”

### Type of investments

- Good long term ownership returns
- Easy/predictable businesses

“There are no extra points for level of difficulty in investments”

### Hurdle rate and margin of safety

- High with margin of safety in our assessments
- Low liquidity shares with added hurdle

### Analysis

- Fewer companies, deep analysis and contrarian variant perception

### Intensity of competition

- Low, reference for good companies but
  - Overlooked/ignored
  - Unpopular/poor sentiment

“How to win – pick easy competition”

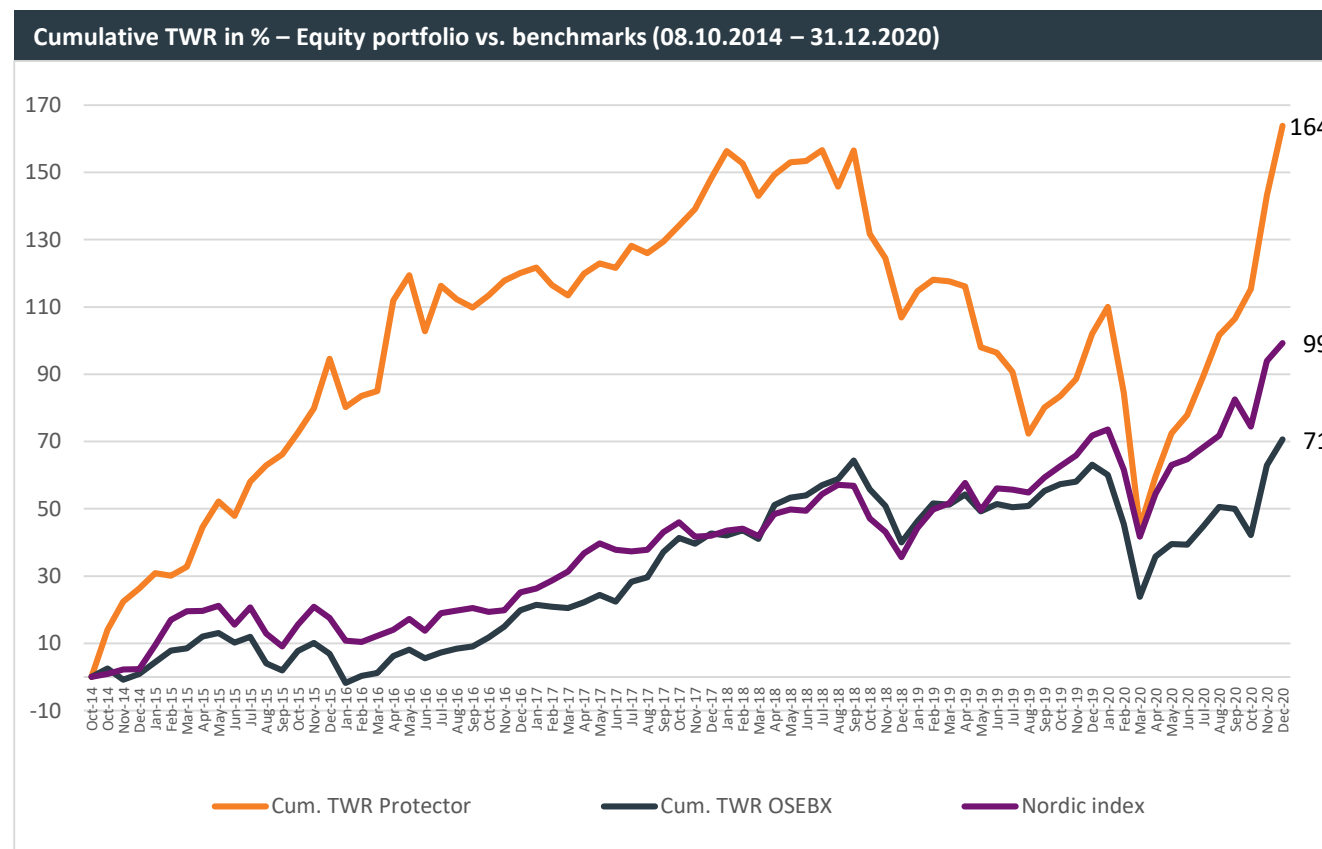
### Focus

- Continuous learnings and improvement of process
- Long term results

# Equity portfolio statistics

## Good performance since inception in 2014

- Equity share of total portfolio varies depending on available investment opportunities reaching hurdle
- Discount to estimated intrinsic value 26% at YE20
- Concentrated portfolio where top 5 positions will normally be 30-50% of total
  - No travel-, oil- or oil service companies



# Equity portfolio - top 10 holdings

5 are new from CMD in 2018

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## Top 10 holdings per 02.03.2021

1. Multiconsult, 4.043.344 shares
2. Elanders, 2.150.520 shares
3. Jyske Bank, 757.645 shares, new 2019
4. BankNordik, 1.060.644 shares, new 2019
5. eWork, 1.720.499 shares
6. Columbus, 5.132.389 shares, new 2020
7. B3, 2.008.022 shares
8. Origin, 2.000.000 shares, new 2020
9. Projektengagemang, 3.159.489 shares, new 2020
10. Bank Norwegian, 500.000 shares

Multiconsult



- YTD return > MNOK 350
  - Remember that these are mostly unrealized gains, volatility must be expected
- Equity share (of total portfolio) will vary



# Investment strategy – Bonds

Invest in riskier assets if RoE > 20%. Higher risk requires higher margin of safety

## 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 of safety to intrinsic enterprise value
- Willingness to
  - Sit on the sideline; because of this our expectation is often to show lower returns in good times
  - Act aggressively – structurally advantaged to take opportunity of periods of fund outflows
- Selective –  $\approx$  5% of new deals

## 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 statistics

Immaterial losses the last 5 years. Higher risk in 2020 and start of 2021

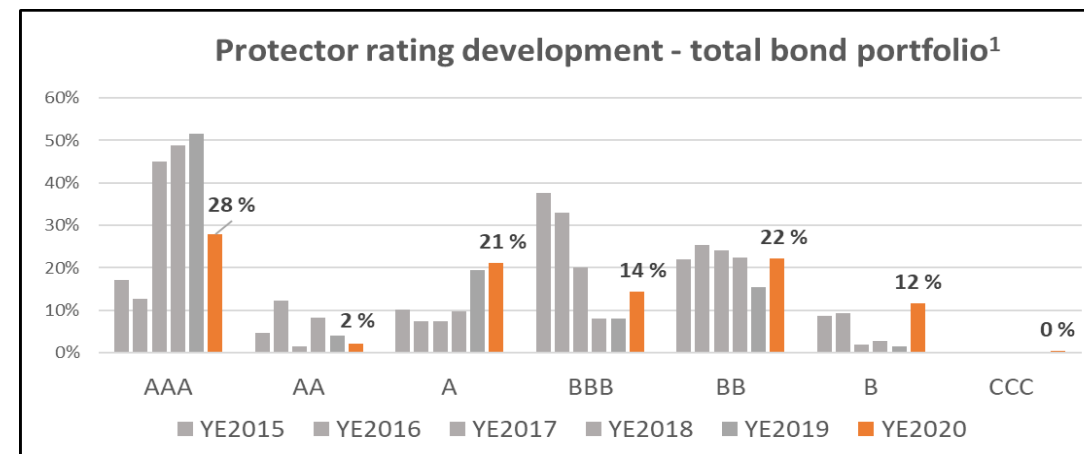
- Low losses, -0.11% or less, every year since insourcing in 2015
  - Higher risk in 2020 than avg. last 5 years with losses of -12m or -0.11%
    - A year with higher volatility and higher losses for the general market
- “Normalized” annual loss expectation through cycle, -0.2% to -0.5%
  - Expect losses to be “chunky” with low losses in most years
  - Actual losses of course dependent on risk taking
- Avg. A- rated portfolio and risk up compared to pre-Covid
  - High-yield portfolio of NOK 4bn
- Running yield at 2.3%, before cost of risk
- Strong returns historically and relative to capital consumption
  - Avg. annual return for high yield portfolio Q115-Q420 at 7.5%

Portfolio data	31.12.20	30.09.20	31.12.19
Size bond & cash eq. (MNOK) <sup>1</sup>	11 603	11 788	9 757
Avg. ref. rate (NIBOR, STIBOR, etc.)	0.2%	0.1%	1.2%
Avg. spread/risk premium (bps)	210	205	89
Yield	2.3%	2.1%	2.1%
Duration	0.4	0.3	0.4
Credit duration <sup>2</sup>	1.4	1.6	2.0
Avg. rating <sup>3</sup>	A-	A	A+

<sup>1</sup> Size excludes forward foreign currency contracts

<sup>2</sup> Avg. includes bank deposits

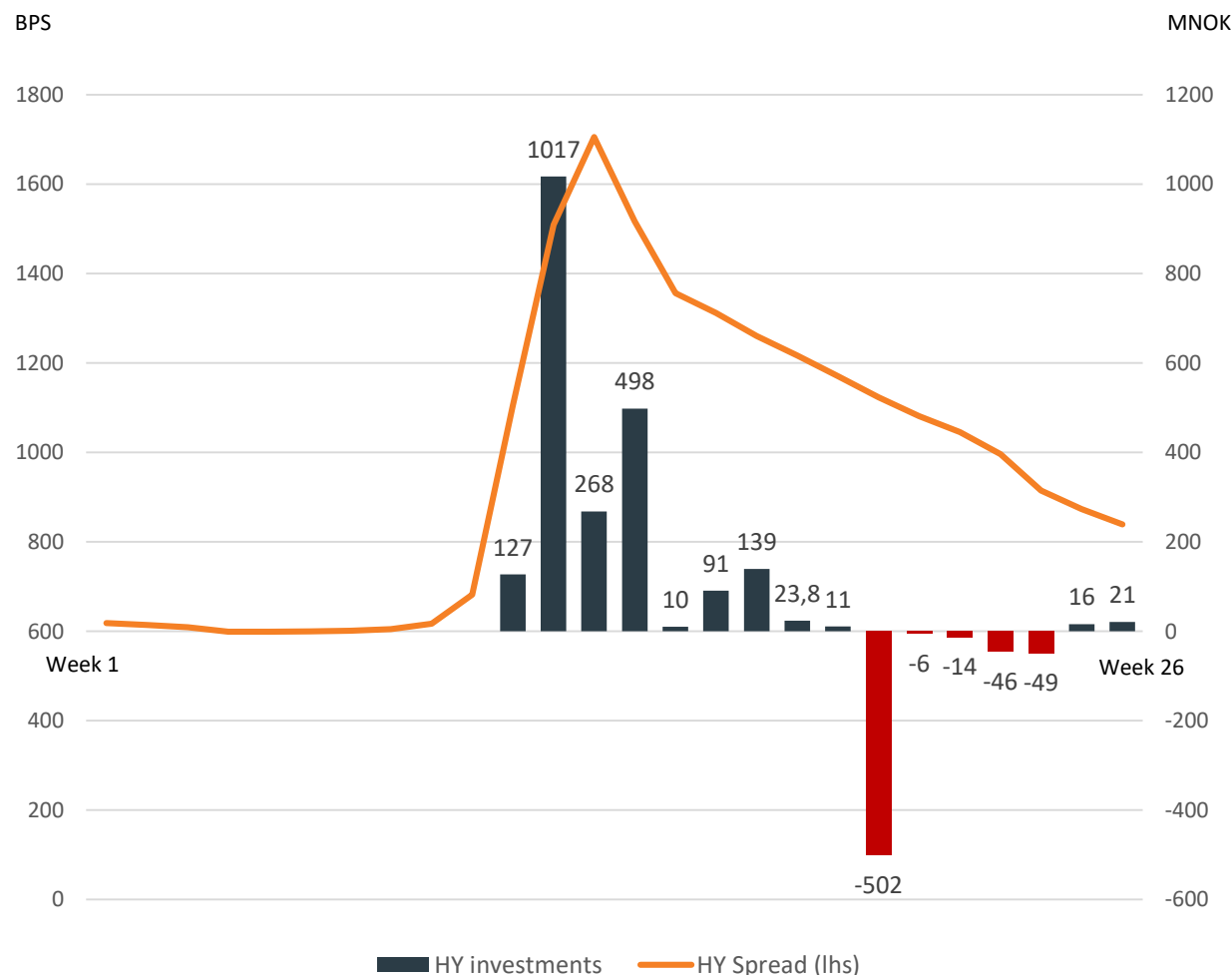
<sup>3</sup> Avg. based on official rating (>60%) and ‘Protector rating’ (<40%) & is based on linear rating (as usual). WARF methodology would give a somewhat lower IG-rating



<sup>1</sup> Avg. based on official rating (>60%) and ‘Protector rating’ (<40%) & is based on linear rating (as usual). WARF methodology would give a somewhat lower IG-rating

# HY bond transactions January to June 2020

Protector will invest aggressively in rare situations when our assessment is outstanding risk/reward



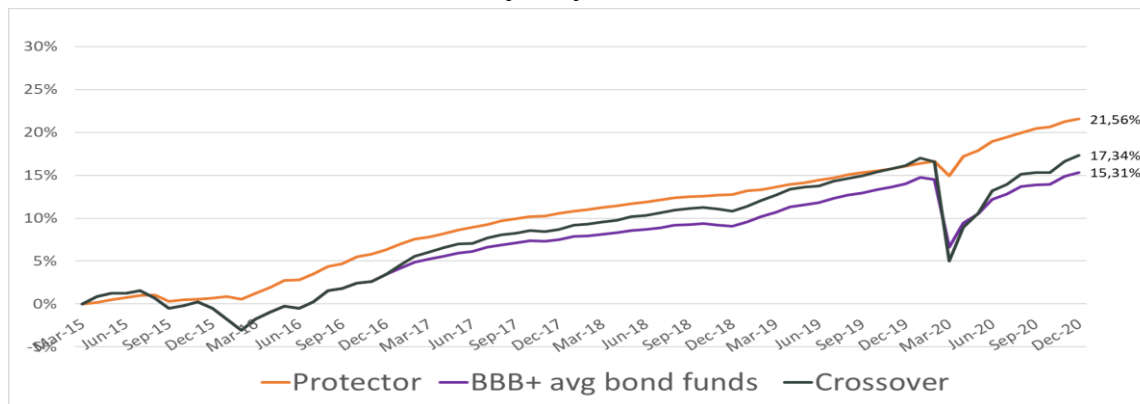
- Severe stress tests avoids forced selling
- No “customer” will withdraw money
- We hedge all currency and have no risk of forced selling if banks demand more collateral.
- We typically have some excess capital to deploy when opportunity arise
- Flexible investment model. In March we bought High Yield. In the next crises it could be equities, buy-backs or something else
- Close cooperation with CEO, CFO and CRO ensures adequate risk evaluation
- All company capital allocation alternatives evaluated at all times

Spread line is Spb1 Markets' 'Norsk Xover Replika'

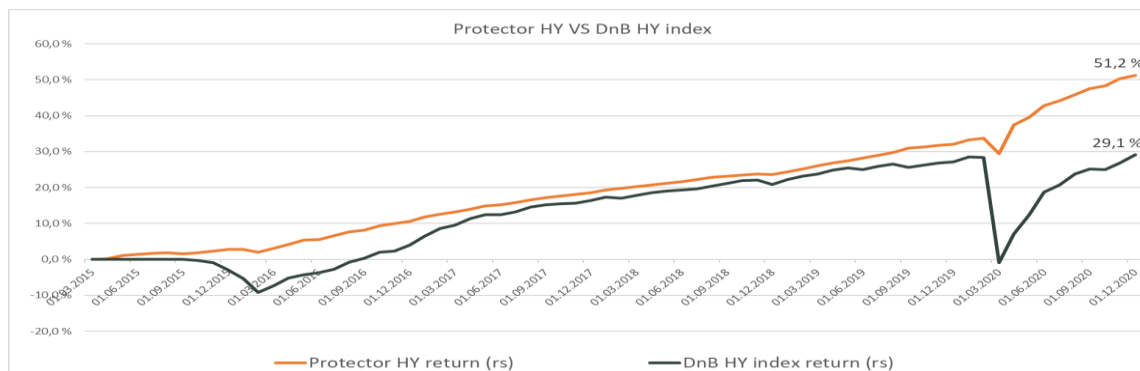
# Bond portfolio – return and capital consumption

Focus on return on capital consumed

Protector return ex investments in HY bond funds from March '15



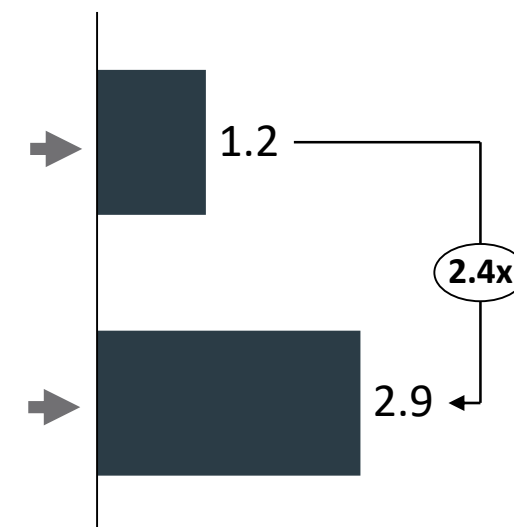
Protector HY return ex investments in HY bond funds from March '15



**Alternative 1**  
Protector in-house bond portfolio

**Alternative 2**  
Crossover bond fund<sup>1</sup>

Capital consumption NOK bn<sup>2</sup>



**HTD outperformance at lower risk and capital consumption**

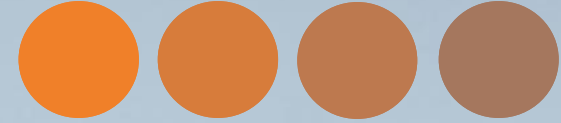
<sup>1</sup> Carnegie Corporate bond fund used as proxy for crossover bond funds

<sup>2</sup> Capital consumption before any diversification effects = after tax loss in stress + capital consumption under SII



# Capital Markets Day 2021

Virtual Webcast | March 10<sup>th</sup> | From 10:00



10:00 – 10:30	Protector – We have only just begun
10:30 – 10:45	Nordics – Back on Track
10:45 – 11:00	UK – A Disciplined Team Journey
11:00 – 11:15	Investments – Core business
<b>11:15 – 11:40</b>	<b>Long-term target and shareholder distribution</b>
11:40 – 12:00	Summary, Succession and Q&A

**PROTECTOR**

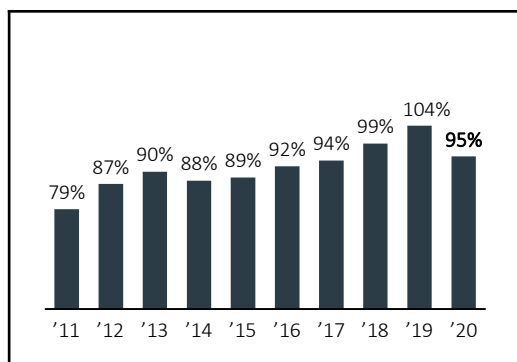
# Earlier communicated long-term financial objectives

**Profitability first. A balance sheet that can handle the unexpected**

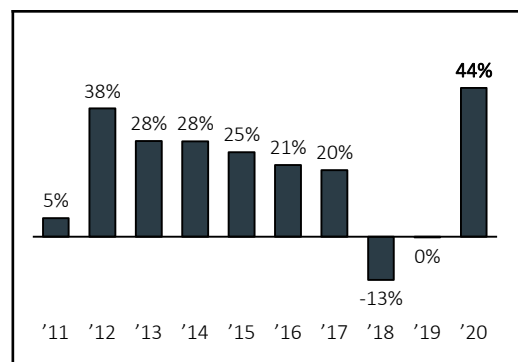
## Long-term financial objectives (looking 3 years ahead from Feb. '20)

Net Combined Ratio:	94 %
Return on Equity (ROE):	> 20 %
Gross Written Premium (GWP) growth:	5 %
Solvency II Capital Ratio (SCR):	> 150 %

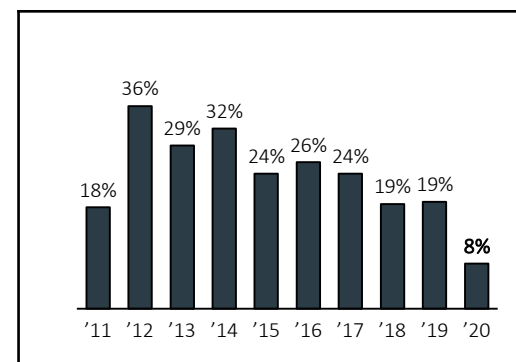
**Net Combined Ratio**



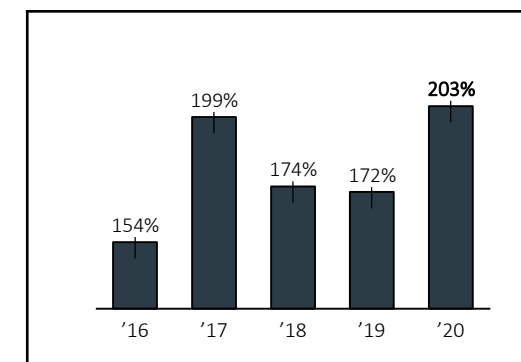
**ROE<sup>1</sup>**



**GWP Annual Growth Rate**



**SCR<sup>2</sup>**



<sup>1</sup> Return on Solvency Capital until 2016 when reflecting changes in accounting principles from Jan. 1<sup>st</sup> 2016 where Shareholder's Equity includes security provisions

<sup>2</sup> Volatility adjusted SCR 2019 and YTD 2020

# Combined ratio considerations 2021

## Improvements on it's way

### 2020 net combined ratio at

**94.8 %**

- + Covid-19 effects 1 %-points
- + Some negative surprises normally occur – “safety margin” 2-4 %-points
- 0 Quality of customer portfolio slightly better, but what about new clients? 0 %-points
- Earned premium effect lagging from 2020 1.2 %-point
- Price increases Nordic higher than price inflation 2021 2 %-points
- Cost ratio improvements 2021 vs. 2020 1 %-point
- Net run-off losses 2021 vs. 2020, prudent reserve history 2.2 %-points
- Large loss ratio higher than normalised 7% 1.8 %-points

### We expect to deliver a combined ratio for 2021 at

**90-92%**

# The situation entering March

Combined ratio probably on budget – very good start on investments

- Volume In line with budget assumptions
- Price increases January 1<sup>st</sup> 5.8% increase above claims inflation on BNOK 2 premium
- Large losses Slightly lower than normalized (volatility expected)
- Motor Good start
  
- DARAG deal Will reduce downside (and upside) on WC Denmark and Norway
- Long tail business No analysis have been made
  
- Margin of safety Slightly increased at the moment



# Protectors competitive position

## Strong 2021 entry, significant identified upsides

- Nordic business back on track after trouble.
  - Sweden and Norway looks strong
  - Denmark about to recover, but still need more work
  - Public Nordics look strong with limited competition and significant competitive edge
- UK has started very well.
  - Competitive edge arriving in Public and Housing sector.
  - No competitive disadvantage in reinsurance.
- Investments doing very well; further improvements identified.
- Capital outlook very strong; comfortable downside protection
- Claims handling quality and efficiency improvements realistic
- No new market expected in period 2021-2023

# Market background

## A hardening market, slightly reduced competition

- Interest rate level at 0 for a long time leads to increased UW discipline +
- Reinsurance trouble supports UW discipline +
- Very disciplined Nordic market will continue +
- Industry consolidation reduces competition and supports discipline +
  - Trygg-Hansa, Fremtind and some smaller players disappearing
- Covid-19 supports stability and reduces Churn in Nordic short term +
- Brexit could reduce risk appetite in UK among some big players 0
- Undisciplined UK market are growing more disciplined 0
- Covid-19 reduces new sales (not in Public) short term in UK -

# Risk Level in Protector

Risk level slightly down in 2021-2023

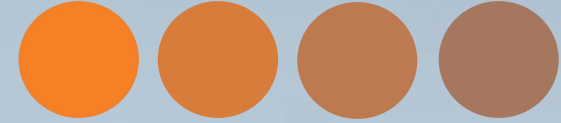
- |   |                |
|---|----------------|
| • Higher volatility due to some Property volume and (motor) Liability in UK   | Increased risk |
| • Higher Nat Cat risk due to increased Housing portfolio in UK  | Increased risk |
| • Four countries with (close to) critical mass is a new situation for Protector   | Reduced risk   |
| • Significant reduced long and medium tail business   | Reduced risk   |
| • Increased level of frequency business with strong competitive edge (motor)  | Reduced risk   |
| • Relative level of new (and more risky) business going down <ul style="list-style-type: none"><li>• Moving volume from 1.0 bill to 1.5 bill in 18 months is very risky</li><li>• Moving from 5.5 bill to 6.0 bill in 12 months is not that risky</li></ul> | Reduced risk   |
| • Cost ratio the “real way” going down ‘21-’23. CL8.  | No risk        |
| • New crises will arrive, but budgets always include a “margin of safety”   | Risk as always |

# New long-term financial objectives – 3Y perspective

Profitable growth with a Combined Ratio 90-92%

Long-term financial objectives	Old	New	Guiding 2021
Net Combined Ratio:	94 %	90-92%	90-92%
Return on Equity (ROE):	> 20 %	> 20%	
Gross Written Premium (GWP) growth:	5 %	Disciplined	10%
Solvency II Capital Ratio (SCR):	> 150 %	> 150%	





# Capital Allocation

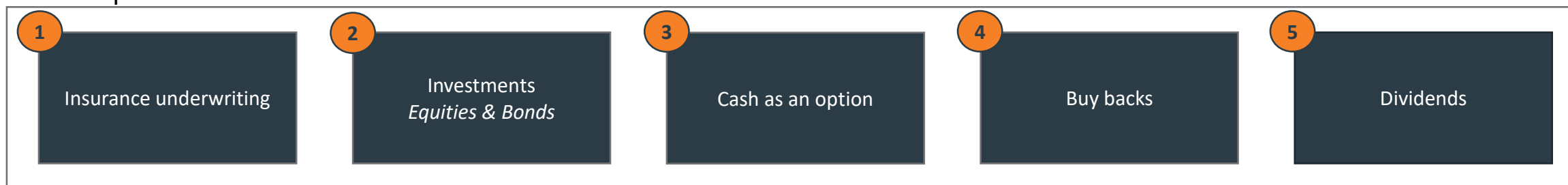
Maximise shareholder return

**PROTECTOR**

# Capital allocation – maximize shareholder return

Priority 1: Always profitable growth in insurance, if possible

Main capital allocation alternatives:

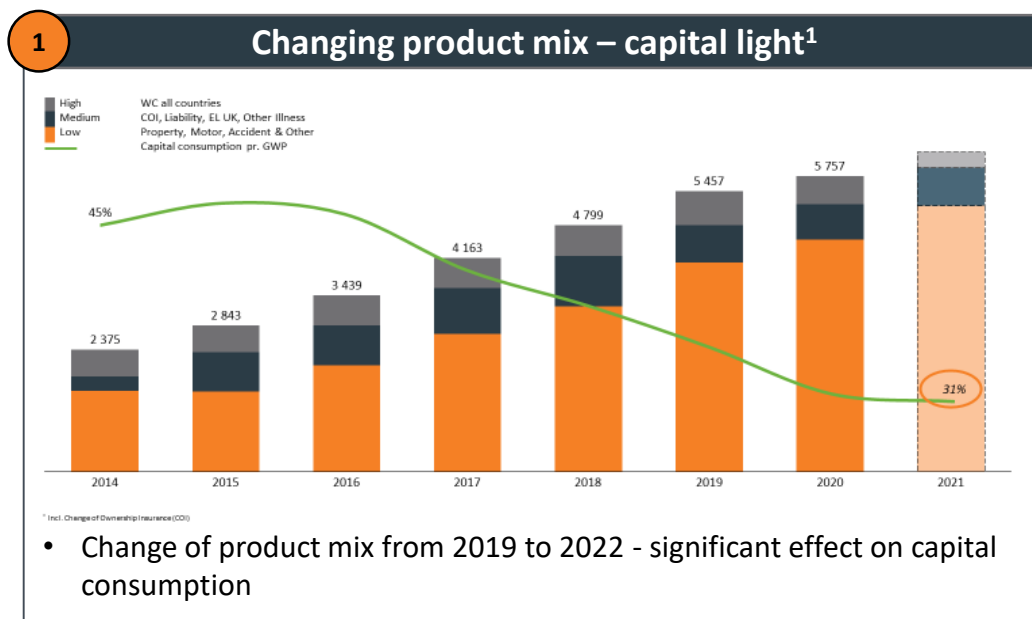


- 1 Allocation towards profitable growth is preferred; stay disciplined
- 2 Challenging to allocate capital in times of low credit spreads and all-time-high stock markets
- 3 How much capital should be kept for future financial market crises?
- 4 An attractive alternative if meeting hurdle; will normally have to bid with significant premium
- 5 Capital base discipline; flexible distribution of excess capital if allocation cannot be made elsewhere

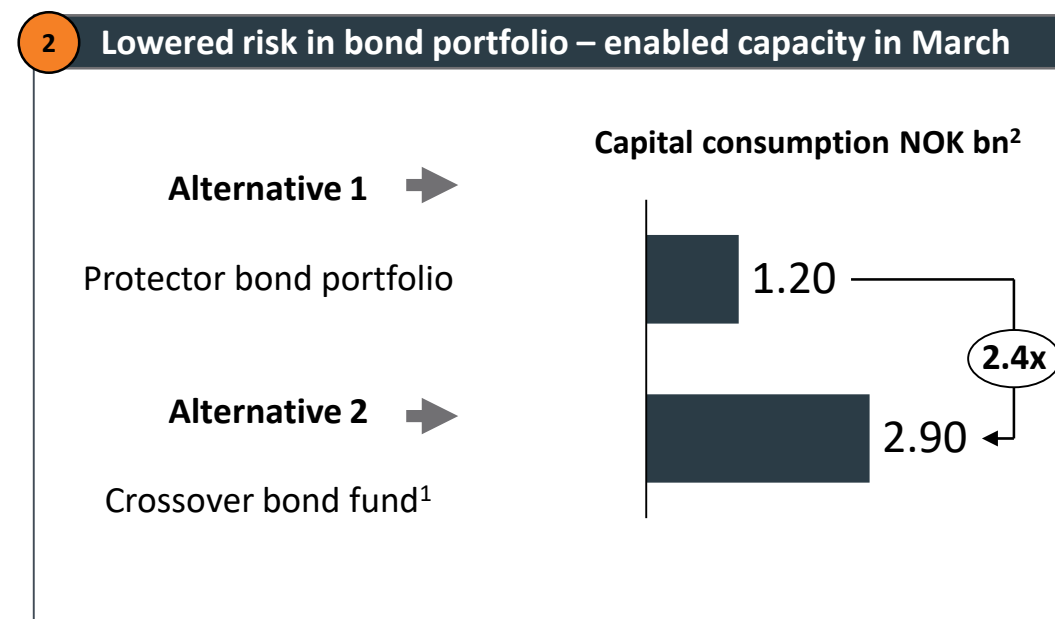
Capital allocation approach	<ul style="list-style-type: none"><li>• Determine minimum hurdle rate (RoE&gt;20%)</li><li>• Calculate returns for all internal and external allocation alternatives available, by return and risk</li><li>• Deploy capital in the most attractive alternatives above hurdle.</li><li>• Release underperforming capital (COI, Price increases, WC Denmark and Norway as example)</li></ul>
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# Capital allocation alternatives – what have we done?

## Maximizing shareholder return



Differing values from P&Ls due to exchange rates applied



Differing values from P&Ls due to exchange rates applied

**3 Buy backs**

- Historical buy backs – in all 26.2m shares

Buy backs	2007	2008	2009	2010	2018
# shares	2 718 645	14 762 900	3 348 920	955 782	4 404 622
Average price	10.91	7.22	6.00	9.67	57.50

**4 Dividends**

- Dividends of 14.45 per share paid out pre 2020

Dividends	2009	2010	2012	2013	2014	2015	2016	2017	2020
Per share	1.25	1.50	1.20	1.75	2.00	2.25	2.25	2.25	3.00

# Other capital allocation initiatives

## Optimize sources and cost of capital

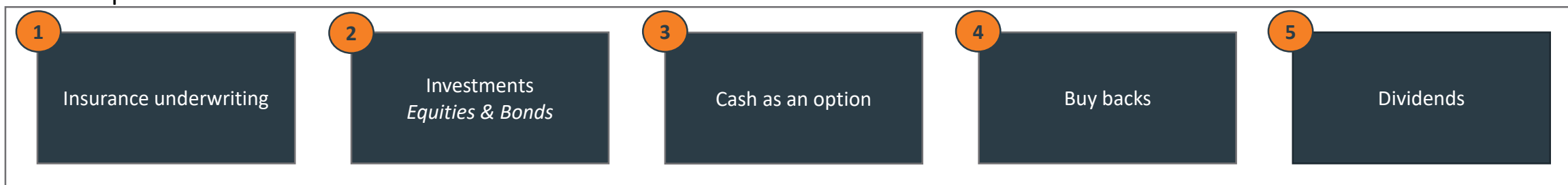
- T1 and T2 issuances
- Buying additional Large Loss Reinsurance with "0 risk" for capital reasons
- Solvency based Reinsurance, incl. retroactive option in financial turmoil
- Sale of COI reserves
- Sale of WC reserves
- Put options / investment hedging



# Capital allocation – maximize shareholder return

Priority 1: Always profitable growth in insurance, if possible

Main capital allocation alternatives:



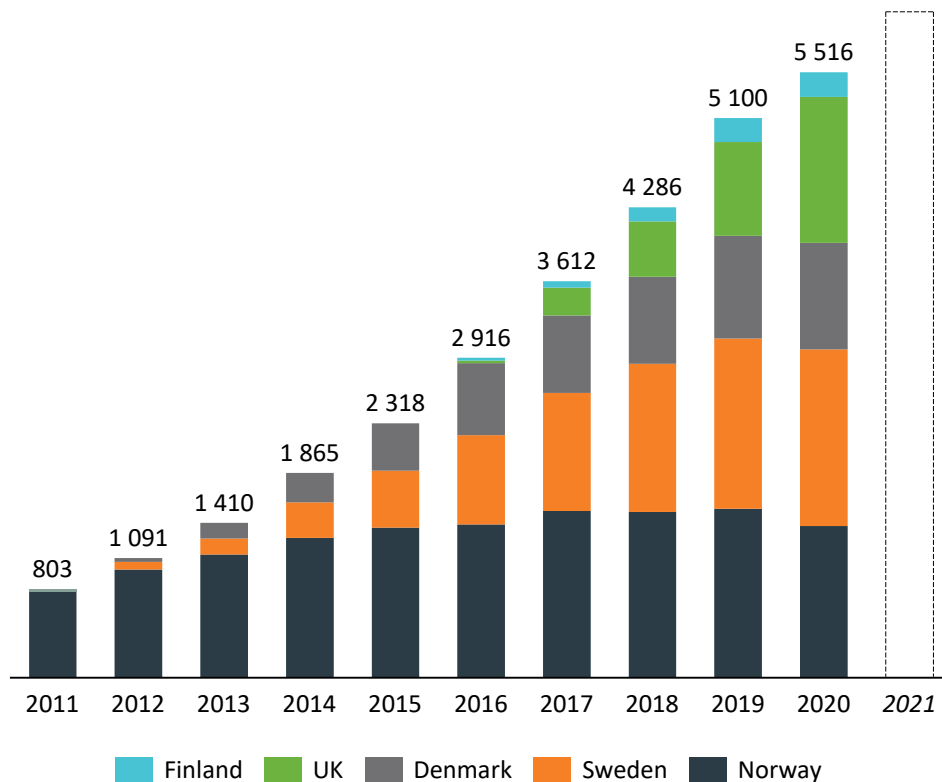
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# Profitable insurance growth the preferred alternative

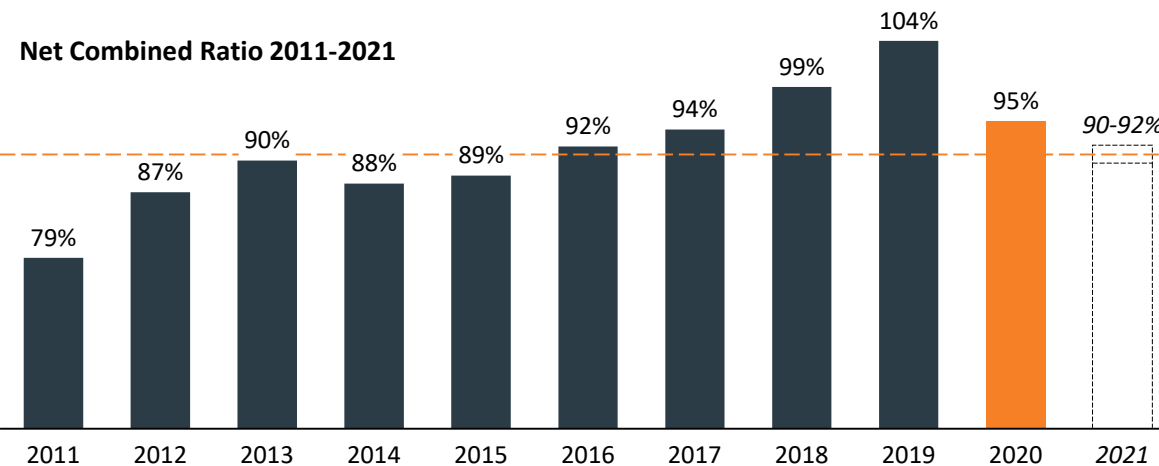
Significant growth opportunities also in future – profitability before growth

## Step by step growth



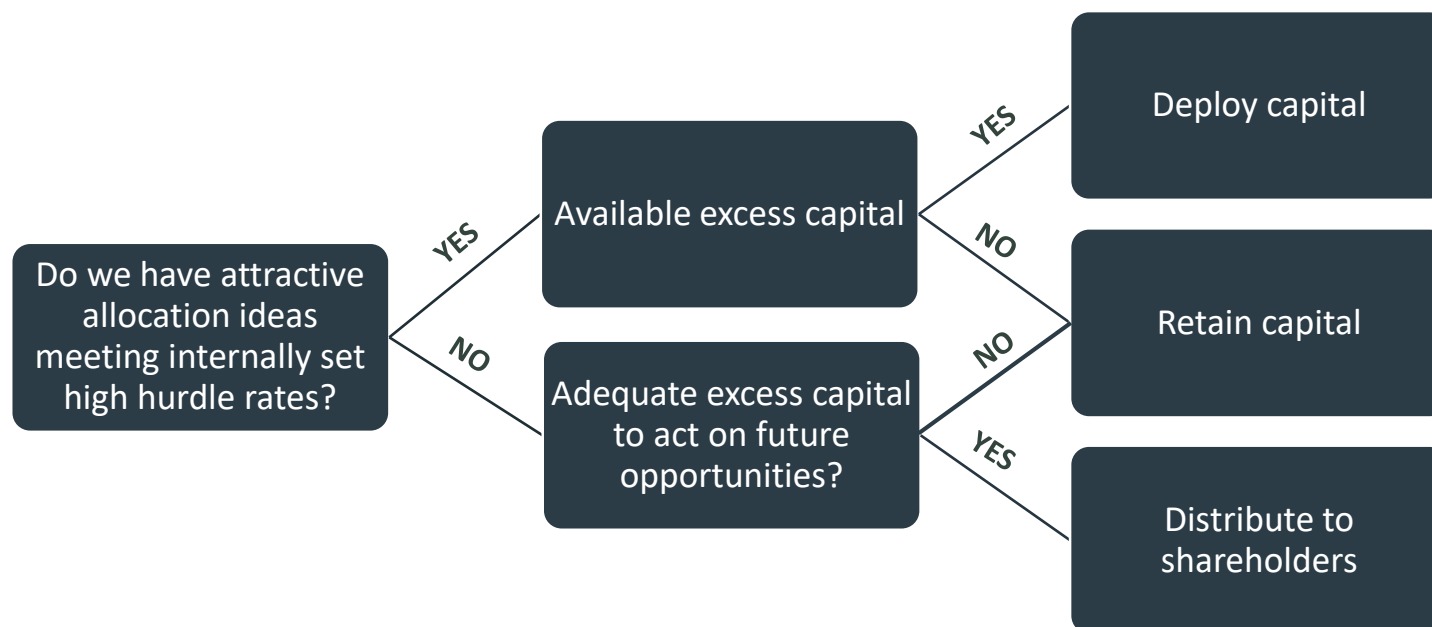
## But with discipline to release underperforming capital

- Exit COI
- Exit WC Denmark
- Exit WC within health and welfare in Norway (Covid-19 exposure)
- Significant Nordic price increases 2019-2020
- Continuous portfolio discipline to get rid of bad apples

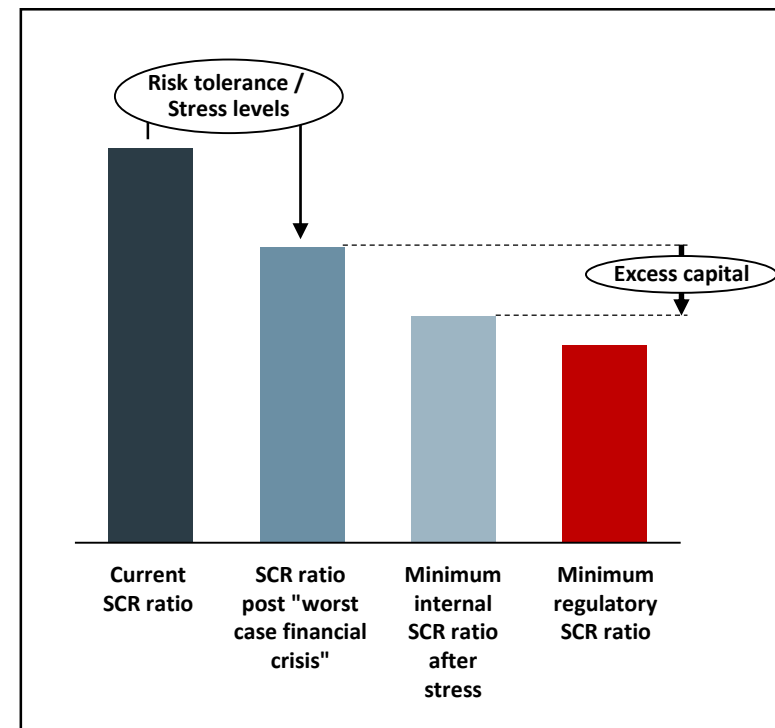


# Capital allocation alternatives

Excess capital has value, but is also a headwind for returns



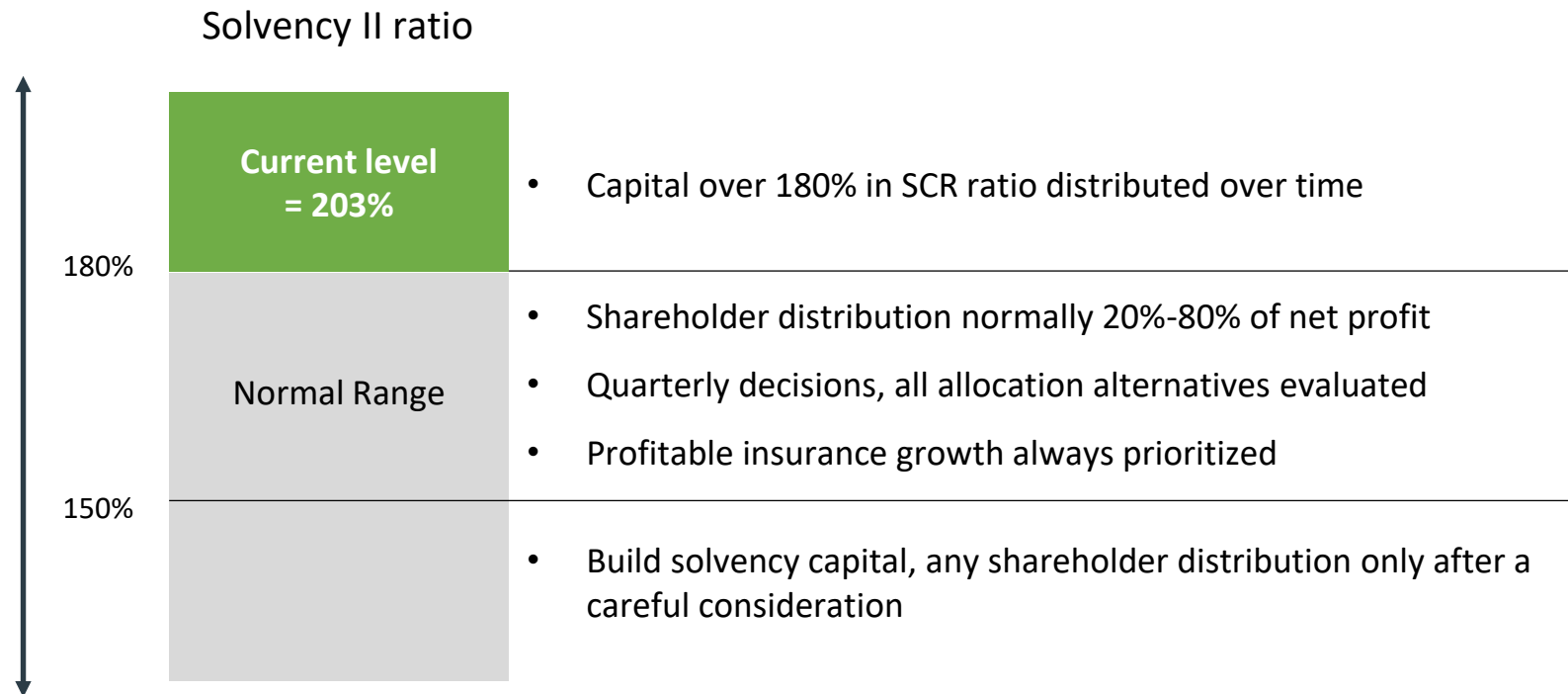
*Illustration of excess capital*



1. Holding too much excess capital is a significant headwind for returns.
2. Patience is also key, when there is nothing intelligent to do it is a mistake to try to be intelligent

# New dividend policy in Protector decided March 4<sup>th</sup>

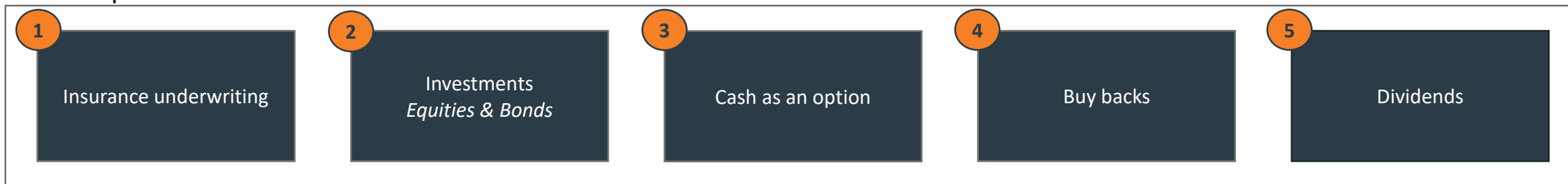
**Flexible Shareholder distribution policy – profitable growth in insurance always priority nr 1**



# Capital allocation – maximize shareholder return

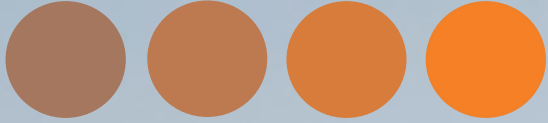
We are good at it and both management and board members are significant shareholders

Main capital allocation alternatives:



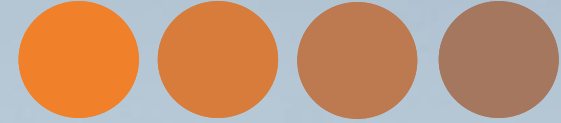
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**PROTECTOR**

## New information released today

**SCR-ratio up 19% points, YTD equity return > MNOK 350, 3-year CR 90-92%**

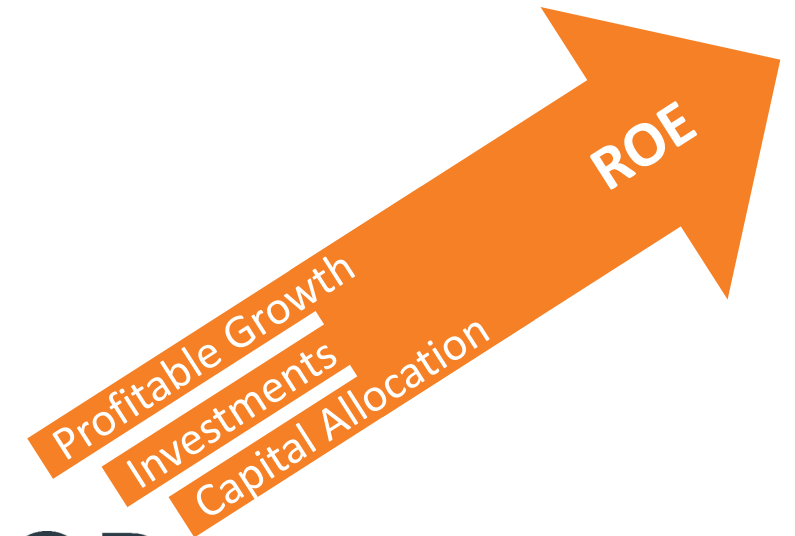
- New BNOK 1.9 reinsurance deal on WC Denmark/Norway signed March 9<sup>th</sup>
- YTD equity portfolio return > MNOK 350
- Long-term (3 years) combined ratio target changed from 94% to 90-92%
- New flexible dividend policy decided in the board

Summary of today – we have only just begun

HTD ROE is 19% - new target is Combined ratio 90-92% and ROE 20%

**PROTECTOR**  
insurance

- Thank you for listening
- HTD CAGR share price at 27% - what's your call ?



**PROTECTOR**  
insurance

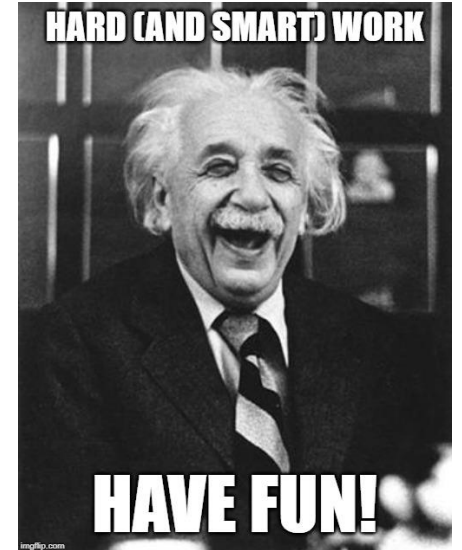


# Succession: McKinsey on “Last 100 days of an CEO”

**We started succession many years ago**

- Fight the intuitive feeling of “a need to step back” to leave the floor to next CEO
- Continue acting as a CEO and leave the company stronger
- Do not postpone strategy development
- Act on prioritized improvement possibilities (cost cutting, new business, etc.)
- **Involve management and board in a transparent structured transfer of roles and responsibilities**
- Update new CEO on organization and people
- Make your (Sverre, Henrik, Hans and management) priority action plan for the last 100 days
- Have fun (added by Sverre)

**PROTECTOR**  
insurance



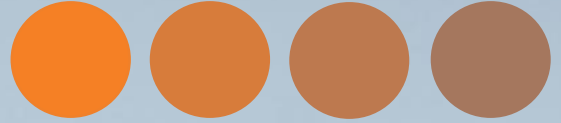
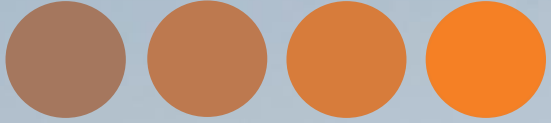
# Succession is about 'The Team'

Involve management in a transparent structured transfer of roles and responsibilities



Henrik Høye CEO in September, Hans Didring nr. 2 – One Team approach is what matters





## Appendix

**PROTECTOR**

# Strategy – Well defined and consistent

Like most international companies in the Nordics





- All Property & Casualty products
- Competitive prices (supported by cost leadership)
- Broker distribution only
- USP: Easy to do business with, Commercially attractive and Trustworthy
- Market segments: Medium to large Companies & Public Sector

*Strategy remains unchanged,  
priorities are updated annually  
with a 3 year perspective*



# Nordic

## Segments – Public & Commercial

2004	2011	2012	2016
			
25%	29%	18%	4%



Exit COI 2020 (2025)



But we killed a bug

# Commercial sector

72 % of Nordic revenues

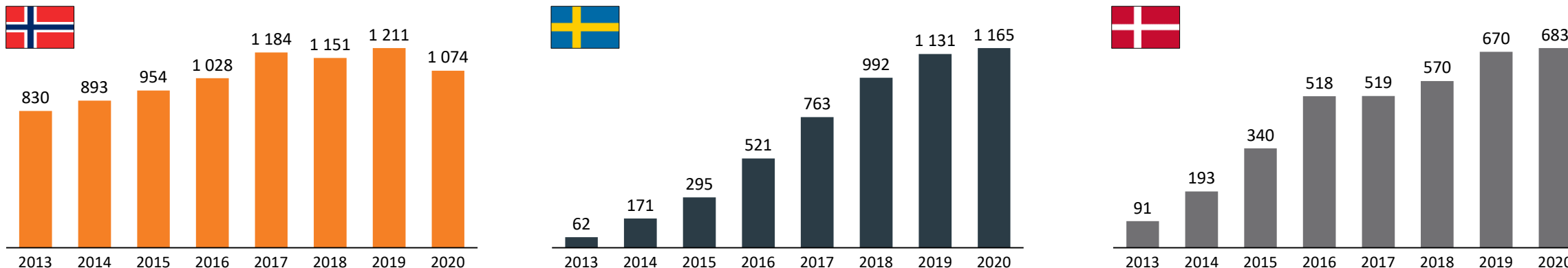
## Summary

- Corporate clients minimum size NOK 0.2m
- Standardized products; Workers Compensation, Group Life, Other Insurance, Accident, Health , Property, Motor, Liability & Cargo
- Similar underwriting process in all countries; securing efficiency and quality in decision-making
- Underwriters, risk-engineers, Key Account Managers and management present in underwriting meetings

## Market drivers

- Cost and quality leadership
- Protector's market appetite in Nordics is > NOK 30bn
- Market dominated by a few large players in each market with approximately 75% of the market

## Revenue development per country – GWP (MNOK)



# Public sector

## 28 % of Nordic revenues

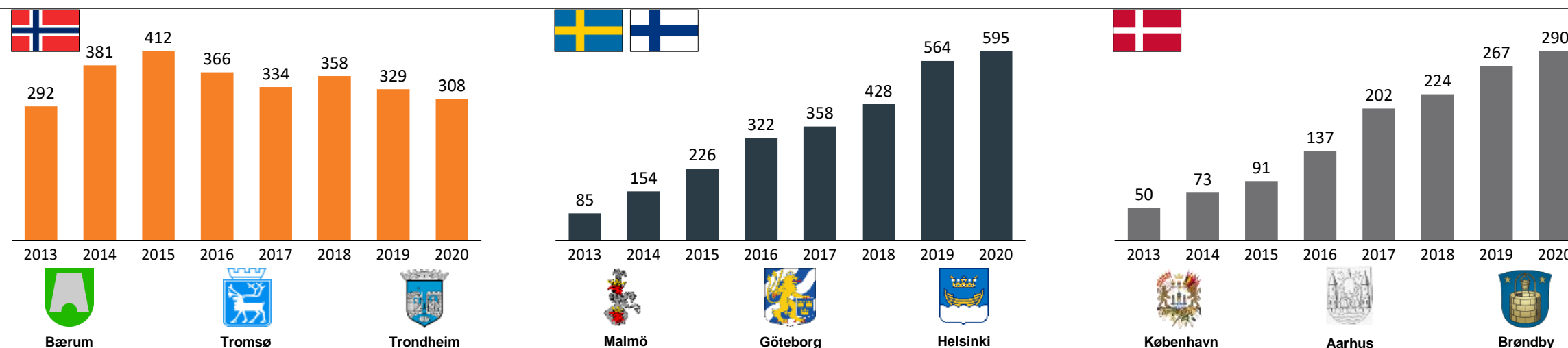
### Summary

- Protector is the market leader in the Nordics
- Insuring more than 600 municipalities
  - 280 Norwegian, 240 Swedish and 80 Danish clients
- Protector quotes all tenders and all product lines
- Underwriting in the Nordics centralized from Oslo
- Service and claims handling locally

### Market drivers

- Few players and tough market conditions
- Tender processes are governed by public procurement regulation
- Avg. tender evaluation criteria 30% quality and 70% price
- Nordic market appetite is more than NOK 2bn

### Revenue development per country – GWP (MNOK)





# Reserve history

## Prudent

- Protector does not expect run-off gains nor losses in our reserving
- Reserves are volatile in some products, but HTD Protector has run-off gains of ~190 MNOK
  - Property & Motor Large gains
  - COI Large losses
  - Long tail (NOR) Some gains
  - WC Denmark Some losses

## Reserve outlook next 10 years

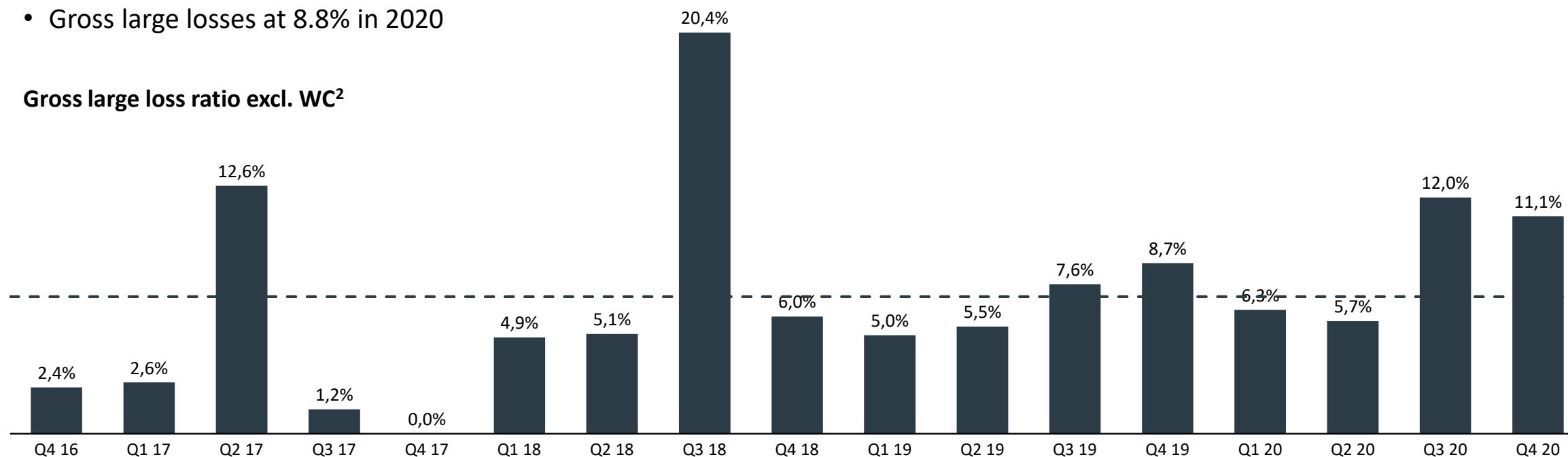
- COI exit, commercial portfolio moving towards 100%
- Some volatility should be expected, especially on a quarterly basis
- UK disciplined growth with 80 % short tail and more reinsurance protection

# Normalized Large Losses

Gross large losses<sup>1</sup> of MNOK 156 (11.1%)

- Gross large loss definition:
  - Reserve changes > MNOK 10 included, excluding Workers' Comp claims (they are normally run-offs)
  - Normalized level at ≈ 7%.
- Gross large losses at 8.8% in 2020

## Gross large loss ratio excl. WC<sup>2</sup>



<sup>1</sup> Gross large losses defined as losses or loss adjustments > MNOK 10

<sup>2</sup> Two very large claims capped at MNOK 100

# Prepared for continued growth

It's not about digitalization



# The Challenger in the Nordics

Cross-border control will take us from Good to Great

**PROTECTOR**  
insurance

Profitability

**M**argin  
**M**anagement

Claims handling



Cost efficiency



UW excellence



Structure & Technology

**F@ct**

Competence development

