



If you become ill or injured you would like to quickly return to everyday life again. With our health insurance you get specialist treatment within two weeks.

Ane Pettersen  
Storebrand



# Annual Report 2015 Storebrand Helseforsikring AS

## ABOUT THE COMPANY

Storebrand Helseforsikring AS is 50 %-owned by Storebrand ASA and Munich Health Holding AG (MHH), respectively. The company offers treatment insurance in the corporate and retail markets in Norway and Sweden. Its head office is located at Professor Kohts vei 9, Lysaker, Bærum. The company conducts its business through the head office in Norway and the branch in Sweden.

## ACCOUNT OF THE FINANCIAL STATEMENT

The annual accounts have been drawn up in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies which is in accordance with international accounting principles (IFRS), but with some adjustments. The result before tax expense was NOK 28.8 million (NOK 57.2 million).

Gross premiums written was NOK 575.4 million (NOK 507.3 million), a 13.0 per cent increase, compared with 2014. Premium income for own account was NOK 552.7 million (NOK 486.8 million). The demand for treatment insurance in the market remains high and Storebrand Health Insurance has a leading market position in Norway in terms of premiums.

Cost of claims for own account was NOK 419.0 million (NOK 357.6 million) for the year. Claims ratio was 75.8 per cent (73.5 per cent). The underlying risk development of the company is satisfactory.

Insurance-related operating costs was NOK 90.2 million (NOK 73.4 million). The cost ratio was 16.3 per cent, an increase of 1.2 percentage points, compared with the previous year. In 2014 the company had significant positive effects associated with changes in pension plan for its employees. Adjusted for this expense ratio shows an underlying positive development.

Combined ratio was 92.2 per cent (88.5 per cent) in 2015.

Storebrand Helseforsikring achieved a financial return of 0.99 per cent (2.58 per cent) for the investment portfolio. The net financial income was NOK 10.9 million (NOK 10.8 million) for the year. The company has a conservative investment strategy, with most of the funds placed in certificates, bonds and money market funds.

Storebrand Helseforsikring is in a payable tax position. The tax expense for 2015 was NOK 5.7 million (NOK 16.0 million), with NOK 8.2 million allocated to tax payable. The result after tax expense is NOK 23.1 million (NOK 41.2 million).

Pursuant to the Norwegian accounting legislation, the board confirms that the company meets the conditions for preparing the financial statements on the basis of a going concern assumption.

In the best judgment of the board, the annual financial statement for 2015 has been prepared in accordance with applicable accounting standards, and the information in the financial statement provides a fair and true picture of the company's assets, liabilities, financial standing and results. The board has no knowledge of events of material importance to the 2015 financial statement having occurred after the reporting date.

## RISKS

Storebrand Helseforsikring performs constant follow-up and active management of the company's risk.

### BUSINESS RISK

Identification and management of business risk is an integral part of the company's managerial responsibilities. Systematic risk assessments are performed at the organization in relation to operational risks and adopted goals and strategies. The risk analyses result in a general risk report with associated risk-reducing measures, which are presented to and reviewed annually by the company's board.

### FINANCIAL RISK

Storebrand Helseforsikring's securities portfolio is mainly invested in Norwegian credit papers with a good credit rating and short interest rate duration. Assessment of price risk, interest rate risk, credit risk, counterparty risk and currency risk is central to management of the securities portfolio. The company conducts regular stress tests to analyse how any unusual market conditions affect the company's securities portfolio. The company checks that the risk level is always appropriate in terms of the company's ability to shoulder risk, and exposure is followed up against the limits set in the company's investment strategy.

### INSURANCE RISK

Most of the insurance risk at Storebrand Helseforsikring is linked to the development in the cost of medical treatment. To reduce risk, agreements have been entered into with the largest suppliers of health services with which the company collaborates. To dampen the effect of major claims, the company has also written an 'excess of loss' policy. The insurance risk is considered low to moderate, with the agreements that have been entered into.

## CAPITAL SITUATION

The company pays particular attention to the levels of equity and primary capital, which are continually and systematically optimized. No new issues have been needed during the year in order to have adequate capital to operate the business. The board consider that the company's equity and primary capital during the year and as at 31.12.2015 is adequate.

The company's capital adequacy is calculated at 60.9 per cent (68.0 per cent) at the end of the year, and the primary capital is NOK 149.8 million (NOK 146.8 million). The solvency margin was 182.8 per cent (197.3 per cent) as at 31.12.2015. Both the capital adequacy and solvency margin meet the legislative requirements, which constitute respectively 8 per cent and 100 per cent. Storebrand Helseforsikring has satisfactory financial soundness.

Solvency II regulations are introduced from January 2016. In Solvency II, the technical provisions will be an expectation right estimate of the present value of future cash flows. The company will use a standard model.

## RESPONSIBILITY

### SUSTAINABILITY

Sustainability is integrated into Storebrand's values, vision, core values and customer promises, and the company has developed clear guidelines as the foundation for this work.

## **ETHICS AND TRUST**

Trust is the lifeblood of Storebrand. The company requires that its employees must maintain high ethical standards. Storebrand also has ethical rules that are an essential tool of everyday life, and every year they are followed up with training and research. Management teams at every level in the Group discuss ethical dilemmas and go through the regulations at least once a year. Group rules regarding anti-corruption, whistleblowing and combating internal fraud are contained in the Ethical rules and applies to all employees and consultants working for Storebrand.

## **ENVIRONMENT**

The company works purposefully to reduce its impact on the environment, both through its own operations, investments, procurement and property management. The emissions we still have, through travel and energy compensated through the purchase of verified carbon offsets. Storebrand Group sets strict environmental standards for suppliers and the companies it invests in.

## **PERSONNEL, ORGANIZATION AND GOVERNING BODIES**

At the end of the year there were 37 employees, compared with 33 at the beginning of the year. 2 of them are employed at the branch in Sweden. The share of women at the company is 76 per cent (74 per cent). The average age is 40 years and average length of service is 7 years.

## **EQUALITY AND DIVERSITY**

Storebrand is committed to enhancing the development and have an equal distribution between women and men in all areas and levels of the company. In 2015, 50 percent of the company's board consists of women. The share of women in senior management is 33 per cent.

Like the rest of society, the company has evolved towards increased cultural diversity. The company strives equal treatment and equal opportunities in all internal and external recruitment and development processes. The headquarters is a universally designed building.

## **COMPETENCE**

High competence is one of Storebrand's most important success factors, and provides the basis for renewed growth. In Storebrand expertise is synonymous with the ability of each individual employee to perform and handle certain tasks and situations. This capability is built up of knowledge and experience, skills, motivation and personality.

In Storebrand, all employees have the opportunity to develop in line with the company's needs. The company has in 2015 focused on that the biggest and most important part of human resource development happens through facilitating development in their daily work. Skills development should take place by the employees are given challenging tasks in his position, and that they get the opportunity to develop new requirements and tasks.

## **WORKING ENVIRONMENT AND SICK LEAVE**

Storebrand has worked systematically for several years to prevent sick leave, and has placed great emphasis on health and satisfaction. The company had a sick leave rate in 2015 of 4.3 per cent, which are an increase of 0.1 percentage points compared with the previous year. Storebrand has been an including workplace enterprise since 2002, and leaders have over the years established good practices related to monitoring employees during illness. Storebrand has its own health clinic, which made a positive impact on reducing the group's sick leave figures. All managers must take mandatory safety courses where monitoring of disease is part of the learning process. Employees may exercise at a dedicated sports facility during working hours, and the sports club has administrative responsibility for activities at the facility.

No injuries to people, property damage, or accidents of significance were reported at Storebrand in 2015.

## BOARD AND MANAGEMENT CHANGES

There has been no change in management or on the board.

## PROSPECTS FOR THE FUTURE

Storebrand Helseforsikring is a dominant actor in the health insurance market, and has established a market-leading position in high-quality treatment agreements. The market is still growing but is characterized by high competition intensity, increased price pressure and increased frequency of claims payments. Storebrand Helseforsikring has a competitive advantage due to the quality of claims settlement, unlimited liability period, a comprehensive national and international network of high-quality hospitals, and agreements with specialist clinics, and owners with extensive industry experience.

At the end of the year, Storebrand Helseforsikring's total customer base was 159,133 customers (127,468). In 2015, the most important sales channels in Norway were Storebrand's distribution network and brokers. The most important distribution channels in Sweden are SPP, Handelsbanken and brokered channels.

Both the retail and the corporate markets for health insurance are deemed to be profitable. Greater pressure on margins means that one of the main challenges in the future will be to implement solutions that support cost-efficient and profitable operation, and which further strengthen the growth in volume. Storebrand Helseforsikring wants to meet the increased competition in the market with market-adapted products at the right price and level of quality for customers. The market is expected to grow at the present rate for both corporate and privately-paid health insurance.

The board wishes to thank the company's customers for their constant feedback regarding improvements to the company's processes, other business contacts, and the employees for a good collaboration in 2015.

## ALLOCATION OF PROFIT FOR THE YEAR:

The 2015 result for Storebrand Helseforsikring AS was NOK 20.4 million (NOK 35.7 million). The board proposes that NOK 23.1 million be allocated to dividends.

In the Board's opinion the company's equity is satisfactory and reasonable in view of the company's business activities.

The Board proposes to the General Meeting the following allocation of profit (amounts in NOK million):

(NOK mill.)	2015
Transferred to guarantee reserve	8.5
Allocated to dividend	23.1
Transferred to other equity	5.8
<b>Total</b>	<b>20.4</b>

In the Board's opinion the company's equity is satisfactory and reasonable in view of the company's business activities.

  
Andrew Kielty  
Chairman

München, 4 March 2016

The Board of Storebrand Helseforsikring AS

  
Tom Georg Granquist

  
Michaela Bruneheim

  
Therese Barski

  
Bjarke Thoree  
administrerende direktør

# Storebrand Helseforsikring AS

## Statement of Comprehensive income

1 JANUARY - 31 DECEMBER

NOK thousand	Note	2015	2014
<b>TECHNICAL ACCOUNTS</b>			
<b>PREMIUMS</b>			
Gross premiums written		575,406	507,342
- Reinsurers' share		-1,660	-1,773
Gross change in reserve for unearned premiums		-21,072	-18,780
<b>Premium income for own account</b>	10,12	<b>552,673</b>	<b>486,788</b>
Allocation of investment return transferred from the non-technical accounts		3,055	5,170
Other insurance related income		82	
<b>CLAIMS EXPENSES</b>			
Gross claims paid		-410,155	-338,023
- Reinsurers' share		706	885
Gross change in claims reserve		-9,594	-20,417
<b>Claims expenses for own account</b>	5,12	<b>-419,043</b>	<b>-357,554</b>
<b>INSURANCE RELATED OPERATING COSTS</b>			
Sales costs		-39,909	-36,801
Insurance related administration costs		-50,341	-36,634
<b>Insurance related operating costs for own account</b>	12,13,14,15,16,18,19	<b>-90,249</b>	<b>-73,435</b>
<b>Balance on the technical account before allocations to security reserve</b>		<b>46,518</b>	<b>60,969</b>
Change in security reserve	25	-9,778	-9,296
<b>Technical profit</b>		<b>36,740</b>	<b>51,672</b>
<b>NON-TECHNICAL ACCOUNTS</b>			
<b>NET INCOME FROM FINANCIAL ASSETS</b>			
Interest and dividend etc from financial assets		9,842	11,312
Change in value on investments		581	321
Realised gain and loss on investments		896	-437
Costs associated with administration of investments, including interest expense		-452	-411
<b>Net income from investments</b>	11	<b>10,867</b>	<b>10,785</b>

# Storebrand Helseforsikring AS

## Statement of Comprehensive income

NOK thousand	Note	2015	2014
Allocation of investment return transferred to the technical accounts		-3,055	-5,170
Other income/costs		-15,787	-89
<b>Non-technical profit</b>		<b>-7,975</b>	<b>5,526</b>
<b>Pre tax profit</b>		<b>28,766</b>	<b>57,198</b>
Tax	17	-5,668	-16,037
<b>Profit/loss for the year</b>		<b>23,097</b>	<b>41,161</b>
OTHER RESULT ELEMENTS			
Translation differences			-985
Change in pension experience adjustments		-3,498	-6,471
Tax on other comprehensive income	17	846	2,013
<b>Comprehensive income</b>		<b>20,445</b>	<b>35,718</b>
Claims ratio		75.8%	73.5%
Cost ratio		16.3%	15.1%
Combined ratio		92.2%	88.5%

# Storebrand Helseforsikring AS

## Statement of financial position

NOK thousand	Note	2015	2014
<b>ASSETS</b>			
Intangible assets	18	15,329	12,868
<b>Total intangible assets</b>		<b>15,329</b>	<b>12,868</b>
<b>FAIR VALUE FINANCIAL INSTRUMENTS</b>			
Bonds and other securities - fixed yield	22	430,153	408,335
Financial derivatives	23	5,878	2,870
Other financial assets		4,385	2,287
<b>Total fair value financial instruments</b>	8,9,20	<b>440,416</b>	<b>413,492</b>
<b>RECEIVABLES</b>			
Receivables due from policyholders	25	146,875	118,517
Other receivables		4,439	5,865
<b>Total receivables</b>	20,21	<b>151,739</b>	<b>124,382</b>
<b>OTHER ASSETS</b>			
Fixed assets	19	495	705
Cash and cash equivalents	8,20	28,967	46,008
Tax assets		389	
<b>Total other assets</b>		<b>29,851</b>	<b>46,713</b>
Prepaid costs and accrued income		574	533
<b>Total prepaid costs and accrued income</b>	21	<b>574</b>	<b>533</b>
<b>Total assets</b>		<b>637,909</b>	<b>597,988</b>



# Storebrand Helseforsikring AS

## Statement of financial position

NOK thousand	Note	2015	2014
<b>EQUITY CAPITAL AND LIABILITIES</b>			
<b>PAID IN CAPITAL</b>			
Share capital		33,000	33,000
Share premium		122,000	122,000
<b>Total paid in capital</b>	27	<b>155,000</b>	<b>155,000</b>
<b>RETAINED EARNINGS</b>			
Allocation to guarantee scheme	25	11,044	19,507
Other retained earnings		10,528	4,717
<b>Total retained earnings</b>	27	<b>21,572</b>	<b>24,224</b>
<b>GROSS INSURANCE LIABILITIES</b>			
Reserve for unearned premiums gross		229,113	195,253
Claims reserve gross	5	79,517	66,928
Security reserve		87,123	73,438
<b>Total insurance liabilities gross</b>	25	<b>395,754</b>	<b>335,620</b>
<b>RESERVES FOR LIABILITIES</b>			
Pension liabilities	14	3,920	3,454
Period tax liabilities	17	8,169	9,823
Deferred tax	17	-	1,573
<b>Total reserves for liabilities</b>		<b>12,089</b>	<b>14,850</b>
<b>DEBT</b>			
Due in respect of direct insurance	25	10,048	3,831
Allocation to dividends	29	23,097	41,161
Other debt	26	3,980	11,789
Debt to related parties	29	324	100
<b>Total debt</b>	20	<b>37,448</b>	<b>56,881</b>
Accrued costs and deferred income		16,046	11,414
<b>Total accrued costs and deferred income</b>	20	<b>16,046</b>	<b>11,414</b>
<b>Total equity capital and liabilities</b>		<b>637,909</b>	<b>597,988</b>

München, 4 March 2016

The Board of Storebrand Helseforsikring AS

  
Andrew Kiely  
Chairman

  
Therese Barski

  
Tom Georg Granquist

  
Michaela Bruneheim

  
Bjarke Thorøe  
CEO

# Storebrand Helseforsikring AS

## Cash flow statement

NOK thousand	2015	2014
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Paid-in premiums gross insurance	545,387	492,884
Paid-out claims gross insurance	-409,449	-337,137
Tax payable for the period	-6,359	-8,701
Net receipts/payments operations	-72,220	-72,640
<b>Net cash flow from operational activities before financial assets</b>	<b>57,359</b>	<b>74,405</b>
Net receipts/payments - financial assets	-22,043	-15,364
<b>Net cash flow from financial assets</b>	<b>-22,043</b>	<b>-15,364</b>
<b>Net cash flow from operational activities</b>	<b>35,316</b>	<b>59,040</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Net receipts/payments - sale/purchase of fixed assets	-9,098	-5,308
<b>Net cash flow from investment activities</b>	<b>-9,098</b>	<b>-5,308</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-41,161	-25,000
<b>Net cash flow from financing activities</b>	<b>-41,161</b>	<b>-25,000</b>
Net cash flow for the period	-14,943	28,732
Net movement in cash and cash equivalent assets	-14,943	28,732
Cash and cash equivalent assets at start of the period	48,296	19,563
<b>Cash and cash equivalent assets at the end of the periode</b>	<b>33,352</b>	<b>48,296</b>

# Storebrand Helseforsikring AS

## Statement of change in equity

NOK thousand	Share capital	Share premium	Total paid in capital	Guarantee scheme	Other equity	Total retained earnings	Total equity
<b>Equity 01.01.14</b>	33,000	122,000	155,000	17,397	12,269	29,667	184,667
Profit					41,161	41,161	41,161
Translation differences					-985	-985	-985
Change in guarantee reserve				2,110	-2,110		
Change in pension experience adjustments					-6,471	-6,471	-6,471
Tax on other comprehensive income					2,013	2,013	2,013
Share dividend					-41,161	-41,161	-41,161
<b>Equity 31.12.14</b>	<b>33,000</b>	<b>122,000</b>	<b>155,000</b>	<b>19,507</b>	<b>4,717</b>	<b>24,224</b>	<b>179,224</b>
Profit					23,097	23,097	23,097
Change in guarantee reserve				-8,463	8,463		
Change in pension experience adjustments					-3,498	-3,498	-3,498
Tax on other comprehensive income					846	846	846
Share dividend					-23,097	-23,097	-23,097
<b>Equity 31.12.15</b>	<b>33,000</b>	<b>122,000</b>	<b>155,000</b>	<b>11,044</b>	<b>10,528</b>	<b>21,572</b>	<b>176,572</b>

### SHAREHOLDERS:

NOK thousand	Number of shares	Nominal value	Share capital
Storebrand ASA	16,500	1	16,500
Munich Health Holding AG	16,500	1	16,500
<b>Total share capital</b>	<b>33,000</b>		<b>33,000</b>

# Notes

## Storebrand Helseforsikring AS

### Note 01 | Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies which is in accordance with international accounting principles (IFRS), but with some adjustments. The Company uses the option in the Regulation § 3-3 on simplified IFRS.

#### 1. CHANGES TO ACCOUNTING PRINCIPLES

No changes have been made to the accounting principles in 2015.

It's a new accounting regulation for insurance companies which affect the fiscal year 2016. Our current interpretation of this suggests that there is no need for security provisions, and we expect the change associated with this will be treated as a change in accounting policy in 2016.

#### 2. USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

In preparing the accounts, management must make assumptions and estimates which affect the recognized value of assets, liabilities, revenue and costs and also the notes concerning conditional liabilities. Actual amounts may differ from these estimates. See note 2 for further information about this.

#### 3. FINANCIAL INSTRUMENTS

##### 3.1 - GENERAL POLICIES AND DEFINITIONS

##### Recognition and derecognition

Financial assets and liabilities are recognized in the statement of financial position from such time Storebrand Helseforsikring becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded on the transaction date. When a financial asset or a financial liability is initially recognized in the financial statements, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value through profit or loss.

Financial assets are derecognized when the contractual right to the cash flow from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognized in the statement of financial position when they cease to exist, i.e. once the contractual liability has been fulfilled, cancelled or has expired.

##### Definition of amortized cost

Subsequent to initial recognition, financial liabilities not at fair value in profit or loss, are measured at amortised cost using the effective interest method. When calculating the effective interest rate, cash flows and all contractual terms of the financial instrument are taken into consideration (for example early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### Definition of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between knowledgeable, willing parties. For financial assets listed on a stock exchange or other regulated marketplace where regular trading takes place, fair value is the price on the last trading day up to and including the balance sheet date.

The company has mainly invested in bonds measured at fair value with changes in value recognized in the income statement.

The company has also invested in derivatives. Derivatives are measured continuously at fair value through profit and loss.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with payments that are fixed or determinable and which are not quoted in an active market, except those that the entity intends to sell immediately or in the short term that are classified as held for turnover, and those that the company initial recognition designates as at fair value through profit.

Loans and receivables are carried at amortized cost using the effective interest method.

### **Financial liabilities**

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using an effective interest method, or at fair value.

## **4 - ACCOUNTING FOR THE INSURANCE BUSINESS**

Storebrand Helseforsikring's insurance contracts are calculated in accordance with the Act on Insurance Activity and associated regulations and accounted for in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies. Under the Act on Insurance Activity, insurance-related provisions must be sound and must meet the minimum requirements.

Insurance premiums are recorded as income according to the insurance period. Costs related to claims are recognised when the claims occur.

### **4.1 - TECHNICAL INSURANCE RESERVES**

The Norwegian FSA has developed distinct minimum requirements for four types of reserve. These are: a reserve for unearned premiums, a claims reserve, a security reserve and a reinsurance reserve.

The reinsurance provisions are not recognized, but will be deducted from the primary capital for calculation of the capital adequacy and solvency margin.

### **4.2 - UNEARNED PREMIUMS (PREMIUM RESERVE)**

The reserve for unearned premiums for own account applies to continuing contracts which are in force at the balance-sheet date. Accrued entitlements are calculated on a pro rata basis and without any deduction for costs.

### **4.3 - CLAIMS RESERVE**

The claims reserve is intended to cover anticipated payment of claims which have been recorded but not settled. It also covers anticipated incurred but not recorded claims (IBNR). Claims made but not paid are provided for in their entirety. Then it is made a calculation of the provision for claims incurred but not reported claims (IBNR) and claims reported but not settled (RBNS). The calculation is done by dividing the business into homogeneous classes. Each separate class is analysed using statistical models. In addition, the claims reserve must include a separate provision for future settlement costs of claims which have occurred but not been settled.

### **4.4 - SECURITY RESERVE**

A reserve to cover fluctuations (possible disasters and extraordinary claims) in the company's claims liability for own account.

### **4.5 - GUARANTEE RESERVE**

A required provision for non-life insurance companies. The reserve is intended to help ensure that the insured obtains settlement in relation to policies entered. The reserve is included in retained earnings. The guarantee applies only to Norwegian business and therefore not calculated guarantee reserve of the store in the Swedish branch.

## **5 - ALLOCATED RETURN ON INVESTMENT**

The Norwegian FSA has produced guidelines for calculating the allocated return on investment. To do this, a technical interest rate is used which is equal to the average interest rate in the relevant accounting year on government bonds with a term to maturity of three years.

## **6 - PENSION LIABILITIES FOR OWN EMPLOYEES**

The schemes recognized by IAS19. New employees as of 1.1.2011 had defined contribution. Other employees have mainly had defined benefit plan. In the fourth quarter of 2014 it was decided to substantially liquidate the defined benefit schemes with effect from 31.12.2014 and replace this system with a defined contribution plan. Defined contribution pension schemes, the company pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on pension savings. The company has no further obligations in respect of labor after the annual contribution is paid. There is no provision for accrued pension commitments in such schemes. Defined contribution plans are expensed directly.

The company participates in the Norwegian AFP scheme (contractual pension). The Norwegian pension scheme is considered to be a defined benefit plan, but there is insufficient quantitative information to estimate reliable accounting obligations and costs.

## 7 - INTANGIBLE ASSETS

Intangible assets with limited service lives are valued at acquisition cost minus accumulated depreciation and any write-downs. The period and method of depreciation are reviewed annually. New intangible assets are included in the statement of financial position if it can be demonstrated that future economic benefits attributable to the asset are likely to accrue to the group. It must also be possible to estimate the cost price of the asset in a reliable manner. The need for write-downs is assessed when there are indications of a fall in value. Otherwise write-downs of intangible assets and reversals of write-downs are dealt with in the same way as described for tangible fixed assets.

## 8 - TANGIBLE FIXED ASSETS

The company's tangible fixed assets consist of equipment and fixtures and fittings.

Equipment and fixtures and fittings are valued at acquisition cost minus less depreciation and any write-downs.

## 9 - TAX

The tax cost in the income statement consists of tax payable for the accounting year and changes in deferred tax. Tax is recognized in the income statement, except when it relates to items that are recognized directly against equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax assets are recognized in the statement of financial position where it is considered likely that the company will have sufficient taxable profit in the future to make use of the tax asset.

It is not calculated deferred tax on the technical provisions in equity in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies § 3-9 Deferred tax.

## 10 - FOREIGN CURRENCY

Figures for the Swedish branch are converted to Norwegian kroner by recalculating the income statement using the average exchange rate for the year in question and by converting the balance-sheet using the exchange rate at the end of the financial year. Any difference arising from the conversion is reflected in the ordinary profit.

### Note 02

## Important accounting estimates and judgments

In preparing the financial statements the management is required to make judgments, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and expectations of future events and represent the management's best judgment at the time the financial statements were prepared. Actual results may differ from these estimates.

The company's critical estimates and judgments that could result in material adjustment of recognised amounts are discussed below.

### Insurance reserves

The claims reserve is intended to cover anticipated payment of claims notified but not paid. It also covers anticipated claims associated with insured events which have occurred but have not been notified by the end of the accounting period. Estimates of not reported claims are made on the basis of claims history using methods of assessing risk approved by the Norwegian FSA. It is also intended to cover future costs of settling the anticipated claims.

### Note 03

## Risk management and internal control

Storebrand Helseforsikring's income and performance are dependent on external factors that are associated with uncertainty. The most important external risk factors are the developments in the financial markets and the occurring of major damages. Certain internal operational factors can also result in losses, e.g. errors linked to the underwriting or payment of claims.

Continuous monitoring and active risk management are therefore core areas of the Group's activities and organization. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the risk appetite, risk targets and overriding risk limits for the operations. In the company, responsibility for risk management and internal control is an integral part of management responsibility.

### **Organisation of risk management**

The company's organization of the responsibility for risk management follows a model based on three lines of defence. The objective of the model is to safeguard the responsibility for risk management at both company and Group level.

The boards of directors have the overall responsibility for limiting and following up the risks associated with the activities. The boards set annual limits and guidelines for risk-taking in the company, receive reports on the actual risk levels, and perform a forward-looking assessment of the risk situation.

Managers at all levels in the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks, documentation of processes and routines, prioritization and implementation of improvement measures, and good communication, information and reporting.

### **Independent control functions**

The board of the company are responsible for ensuring that independent control functions are in place for risk management within the unit (Chief Risk Officer), for compliance with the regulations, that the insurance liabilities are calculated correctly (Actuary). The independent control functions are organised directly under the companies' managing director and report to the company's board. Storebrand Helseforsikring buys these services on an equal basis with the wholly owned subsidiaries of Storebrand ASA.

The internal audit shall provide the boards with confirmation concerning the appropriateness and effectiveness of the company's risk management, including how well the various lines of defence are working.

## Note 04

### **Operational risk**

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial losses or reduced reputation due to inadequate or the failure of internal processes, control routines, systems, human error or external incidents.

Operational risk is minimized by an effective system of internal control with clear procedures, clear descriptions of responsibilities and documented mandates.

## Note 05

### **Insurance risk**

Insurance risk is about protecting oneself against financial loss when events occur. In other words, insurance involves a sharing of risk between many policyholders where the risk reflects probability and impact. For Storebrand Helseforsikring most insurance risk will be associated with developments in the cost of medical treatment which has a direct effect on the company's claims costs. To reduce this risk, agreements have been entered with the largest health services providers with which the company has working relationships. Storebrand Helseforsikring has also entered into a reinsurance agreement with Munich Re, which is the company's reinsurer, to offset the effect of large claims. The company has "excess of loss" protection for 80 per cent of all claims paid above NOK 300,000 per person per year.

## DEVELOPMENTS IN INSURANCE CLAIM PAYMENTS:

NOK thousand	2010	2011	2012	2013	2014	2015	Total
Calculated gross cost of claims							
At end of the policy year	181,020	206,811	241,590	309,355	317,007	392,269	
- one year later	174,452	198,818	236,729	308,911	317,198		
- two years later	174,160	198,670	236,617	308,666			
- three years later	174,182	198,642	236,644				
- four years later	174,168	198,666					
- five years later	174,172						
Calculated amount 31.12							
Total disbursed to present	174,164	198,652	236,605	308,502	316,148	323,485	1,557,556
Claims reserve <sup>1)</sup>	8	14	39	164	1,049	68,784	70,059
Claims reserve for claims from prior years (before 2009)							
<b>Total trend in claims disbursed</b>							<b>70,059</b>

<sup>1)</sup> Excluding claims handling costs

## Note 06 | Financial market risk

Market risk is the risk of incurring losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Therefore, market risk is the risk of price changes in the financial markets, including changes in interest rates, and in the currency, equity, property or commodity markets, affecting the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of evaluation methods. The potential for losses in the investment portfolio on a one-year horizon is calculated and the portfolios are stress tested pursuant to the statutorily defined stress tests as well as internal models.

Storebrand Helseforsikring's portfolio consists of interest-bearing investments, and is therefore mainly exposed to changes to the interest rate markets. The duration of the portfolio is 0.18. The low duration, together with active follow-up of the portfolio's credit risk means that the exposure to market risk is deemed to be low.

## Note 07 | Liquidity risk

Liquidity risk is the risk that the company will not have sufficient liquidity to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. Storebrand Helseforsikring's insurance liabilities are usually known long before they fall due, but a solid liquidity buffer is still important for withstanding unforeseen events.

At the same time company-specific liquidity strategies have been drawn up in line with statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategy defines limits for allocations to various types of asset and means that Storebrand Helseforsikring generally has money market investments which can be sold if necessary.

## UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

NOK thousand	0-6	6-12	1-3 years	3-5 years	> 5 years	Total	Booked
Insurance reserves <sup>1)</sup>	194,058	10,802	2,408	259		207,527	207,527
Other current liabilities	53,494					53,494	53,494
<b>Total financial liabilities 2015</b>	<b>247,552</b>	<b>10,802</b>	<b>2,408</b>	<b>259</b>		<b>261,021</b>	<b>261,021</b>
Total financial liabilities 2014	232,983	9,167	2,044	220		244,414	244,414

<sup>1)</sup> Including claims reserve excluding allocation for claims handling costs, and 60 per cent of premium reserve



Note  
08

## Counterparty risk

Counterparty risk is the risk of incurring losses due to a counterparty's unwillingness or inability to meet its obligations. Maximum limits for credit exposure to individual debtors and for overall credit exposure within rating categories are set by the Board. Particular attention is paid to diversification of credit exposure to avoid concentrating credit risk on any particular debtors or sectors. Changes in the credit rating of debtors are monitored and followed up.

### CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value

Category of issuer or guarantor NOK thousand	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
Government and government guaranteed bonds		46,564			46,564
Credit bonds			139,810	148,639	288,449
Mortgage and asset backed bonds	90,116			5,023	95,140
<b>Total interest-bearing securities 2015</b>	<b>90,116</b>	<b>46,564</b>	<b>139,810</b>	<b>153,662</b>	<b>430,153</b>
Total interest-bearing securities 2014	98,166	42,275	135,608	132,286	408,335

### COUNTERPARTIES

NOK thousand	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
Derivatives		5,878			5,878
<b>Total excluding derivatives in bond fund 2015</b>	<b>0</b>	<b>5,878</b>	<b>0</b>	<b>0</b>	<b>5,878</b>
Total excluding derivatives in bond fund 2014	0	2,870	0	0	2,870
<b>Bank deposit 2015</b>	<b>0</b>	<b>6,543</b>	<b>26,810</b>	<b>0</b>	<b>33,352</b>
Bank deposit 2014	0	44,104	4,191	0	48,295

Rating classes are based on Standard & Poor's ratings.

Note  
09

## Valuation of financial instruments at fair value

The company buys the asset management services from Storebrand Asset Management ASA, and it conducted a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium is used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Investment Manager continuously performs checks to ensure the quality of market data obtained from external sources. Such checks involve comparing multiple sources and checking and assessing the reasonableness of abnormal changes.

Investment Manager categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

**LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES FOR IDENTICAL ASSETS IN ACTIVE MARKETS**

Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. The Company has no such investments.

**LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1**

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Bonds and equivalent instruments are generally classified in this level. The company's investments are primarily in this category.

**LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE IN ACCORDANCE WITH LEVEL 2**

Equities classified as level 3 encompass investments in primarily unlisted/private companies. The Company has no such investments.

NOK thousand	Quoted prices	Observable assumptions	Non-observable assumptions	2015	2014
<b>Bonds and other fixed income securities</b>					
- Government and Government guaranteed bonds		46,564		46,564	42,275
- Credit bonds		288,449		288,449	262,808
- Mortgage and asset backed bonds		95,140		95,140	103,252
<b>Total bonds and other fixed income securities 2015</b>		<b>430,153</b>		<b>430,153</b>	
Total bonds and other fixed income securities 2014		408,335			408,335
<b>Derivatives:</b>					
- Currency derivatives		5,878		5,878	2,870
<b>Total derivatives 2015</b>		<b>5,878</b>		<b>5,878</b>	
Total derivatives 2014		2,870			2,870

Note  
10

Premium income per country

**BREAKDOWN BETWEEN OPERATIONS IN NORWAY AND SWEDEN:**

NOK thousand	Norway		Sweden		Total	
	2015	2014	2015	2014	2015	2014
Gross premiums written	282,933	256,551	292,472	250,791	575,406	507,342
Gross premium earned	276,346	249,007	277,988	239,555	554,333	488,561
Reinsurers' share	-1,201	-1,274	-459	-500	-1,660	-1,773
<b>Earned premium for own account</b>	<b>275,144</b>	<b>247,733</b>	<b>277,528</b>	<b>239,055</b>	<b>552,673</b>	<b>486,788</b>

Note  
11

Net income from different classes of financial instruments

NOK thousand	2015	2014
Interest bonds and other fixed-income securities at fair value	9,842	11,312
<b>Total interest income financial assets</b>	<b>9,842</b>	<b>11,312</b>
Revaluation bonds and other fixed-income securities at fair value	-2,427	-661
Revaluation derivatives	3,008	983
<b>Total revaluation on investments</b>	<b>581</b>	<b>321</b>
Profit on bonds and other fixed-income securities at fair value	-2,796	-24
Profits on derivatives	3,692	-414
<b>Total gains and losses on financial assets</b>	<b>896</b>	<b>-437</b>
Management expenditure	-452	-411
<b>Net income from financial assets</b>	<b>10,867</b>	<b>10,785</b>

Note  
12

Insurance profit and loss

NOK thousand	2015	2014
<b>Premiums written</b>		
Gross premiums written	575,406	507,342
Ceded premiums	-1,660	-1,773
<b>Premiums written for own account</b>	<b>573,745</b>	<b>505,568</b>
<b>Gross business</b>		
Earned premiums	554,333	488,561
Losses incurred	-419,749	-358,439
Insurance-related gross operating costs	-90,249	-73,435
<b>Technical result</b>	<b>44,335</b>	<b>56,687</b>
<b>Ceded business</b>		
Earned premiums	-1,660	-1,773
Losses incurred	706	885
<b>Technical result</b>	<b>-954</b>	<b>-888</b>
<b>Technical result for own account</b>	<b>43,381</b>	<b>55,799</b>
Losses incurred for own account		
Incurred this year	-419,043	-358,174
Incurred in previous years	0	620
<b>Total for the financial year</b>	<b>-419,043</b>	<b>-357,554</b>

Note  
13

## Insurance-related sales and administration costs

NOK thousand	2015	2014
Personnel costs	983	2,246
Commissions	38,628	33,855
Other sales costs	298	699
<b>Total insurance-related sales costs</b>	<b>39,909</b>	<b>36,801</b>
Personell costs	11,341	2,996
Other insurance-related operating costs	39,000	33,638
<b>Total insurance-related operating costs</b>	<b>90,249</b>	<b>73,435</b>

Note  
14

## Pension costs and liabilities

Employees of Storebrand Helseforsikring in Norway have with effect from 1 January 2015 a defined contribution plan for retirement. Until the end of 2014 the company had both a defined contribution and a defined benefit plan depending on the time of employment with the company. The change in the pension scheme was recognized in the financial statements 2014.

The new defined-contribution scheme that comes into effect from 1 January 2015 has the following components and premiums:

- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" is NOK 90,068 at 31 December 2015)
- In addition 13 per cent of salary between 7.1 and 12 G is saved
- Savings rate for salary over 12 G is 20 per cent

Anyone who are members of pension schemes have an attached children, survivors and disability coverage, which accounted for as a defined benefit plan. For present and former employees who have had salaries above 12G until 31.12.2014 it was given an offer of cash release of the accrued rights, payable at the start of 2015.

The company participates in the Joint Scheme for contractual pension AFP. The private pension scheme provides a lifelong supplement to the ordinary pension and is a multi-employer scheme pension scheme, but there is not provided reliable information for recognizing liabilities on the balance sheet. The scheme will be financed through annual premium as a percentage of salary between 1 and 7.1G, and premium rate in 2015 was 2.4 %. The employees who were born before 1 January 1956 may choose to take early retirement or retire at 65 years of age and receive an operating pension entity until age 67. Employees can choose to withdraw from the AFP scheme from the age of 62 and continue to remain in employment.

### RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2015	2014
Present value of insured pension benefit liabilities	3,331	2,995
Pension assets as fair value	-628	-2,535
<b>Net pension liability/surplus for the insured schemes</b>	<b>2,703</b>	<b>460</b>
Present value of the uninsured pension liabilities	1,218	2,994
<b>Net pension liabilities in the statement of financial position</b>	<b>3,920</b>	<b>3,454</b>

Provision for employment taxes are included in the gross obligation.

### BOOKED IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2015	2014
Pension assets		
Pension liabilities	<b>3,920</b>	3,454

#### CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITY IN THE PERIOD

NOK thousand	2015	2014
Net pension liability at 01.01.	5,954	20,530
Net pension cost recognised in the period	679	2,691
Interest on pension liabilities	148	869
Experience adjustments	164	5,723
Pension paid	-2,240	0
Changes to pension scheme	0	-13,826
Pension liabilities additions/disposals and currency adjustments	0	-9,704
Payroll tax of employer contribution, assets	-192	-294
<b>Net pension liability at 31.12.</b>	<b>4,513</b>	<b>5,988</b>

#### CHANGES IN THE FAIR VALUE OF PENSION ASSETS IN THE PERIOD

NOK thousand	2015	2014
Fair value of pension assets at 01.01	2,500	10,578
Expected return	63	321
Experience adjustments	-3,334	-748
Premium paid	1,555	2,383
Payroll tax of employer contribution, assets	-192	-294
Pension liabilities additions/disposals and currency adjustments	0	-9,704
<b>Net pension assets at 31.12</b>	<b>593</b>	<b>2,534</b>

Expected premium payments (contributions) in 2016	2,400
Expected AFP early retirement scheme payments in 2016	500

#### PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12:

	2015	2014
Real estate	12%	10%
Bonds at amortised cost	45%	40%
Mortgage loans and other loans	0%	0%
Equities and units	11%	15%
Bonds	27%	28%
Certificates	4%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance.

The book (realised) investment return on assets	5.4 %	5.4 %
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#### NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

NOK thousand	2015	2014
Current service cost	679	2,691
Net interest cost/expected return	85	548
Changes to pension scheme	0	-13,826
<b>Total defined benefit pension schemes</b>	<b>763</b>	<b>-10,586</b>
The period's payment to contribution scheme	1,589	604
<b>Net pension cost booked to profit and loss account in the period</b>	<b>2,353</b>	<b>-9,982</b>

Net pension cost includes national insurance contributions and is included in operating expenses.

## OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK million	2015	2014
Loss (profit) – change to the discount rate	0.0	5.2
Loss (profit) – change to other financial assumptions	0.0	-0.7
Loss (profit) – change to the mortality table	0.0	0.0
Loss (profit) – change to other demographical assumptions	0.0	0.0
Loss (profit) – experienced DBO	0.2	1.2
Loss (profit) – experienced pension funds	3.3	0.6
Investment/administration costs	0.0	0.1
Upper limit pension funds	0.0	0.0
<b>Remeasurements loss (gain) in the period</b>	<b>3.5</b>	<b>6.5</b>

## MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY AT 31.12.:

	2015	2014
Discount rate	2.7 %	3.0 %
Expected earnings growth	2.3 %	3.0 %
Expected annual increase in social security pensions	2.3 %	3.0 %
Expected annual increase in pensions in payment	0.0 %	0.1 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

### FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty.

It is in Norway using a discount rate determined by reference to covered bonds (OMF). Based on observed market and volumes must be Norwegian covered bond market by Storebrand perception is defined as a deep market.

In determining the economic assumptions, company-specific factors, including increase in direct wages, also will be considered.

### ACTUARIAL ASSUMPTIONS:

In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2015.

The average employee turnover rate is 2–3 per cent for the entire workforce as a whole, and falling turnover with increasing age is assumed.

## NET PENSION LIABILITY AT 31.12.:

NOK thousand	2015	2014
Discounted current value of defined benefit pension liabilities	4,548	5,989
Fair value of pension assets	628	2,535
<b>Deficit/surplus</b>	<b>3,920</b>	<b>3,454</b>

Note  
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## Salary and benefits for executives

Bjarke Thorøe is the Managing Director of Storebrand Helseforsikring AS. He has a bonus arrangement linked to the company's financial performance and his individual contribution. The annual bonus level is NOK 600,000 (100%) and may rise to a maximum of NOK 900,000 (150%).

The Managing Director is a member of Storebrand's pension scheme. At the end of the employment relationship the Managing Director has six months' notice. The company is under no obligation to give the Managing Director any special compensation payment at the end of the employment relationship.

NOK thousand	Ordinary salary	Bonus earned this year <sup>1)</sup>	Other benefits <sup>2)</sup>	Total remuneration for the year	Pension accrued for the year	No. of shares owed <sup>3)</sup>	Loan <sup>4)</sup>
<b>Senior employees</b>							
Bjarke Thorøe	1,583	900	155	2,338	316	0	3,500
<b>Total 2015</b>	<b>1,583</b>	<b>900</b>	<b>155</b>	<b>2,338</b>	<b>316</b>	<b>0</b>	<b>3,500</b>
Total 2014	1,572	900	139	2,611	256	0	3,500

1) Earned bonus at 31.12.15. Senior executives are contractually entitled to performance related bonuses. 50% of the earned bonus is paid in cash.

The remaining amount is converted to synthetic shares based on the market price. These are registered in a share bank with a lock-in period of three years. At the end of three years, the value of the synthetic share is calculated at a new market price. Half of the amount paid from the share bank shall, after tax, be used to purchase shares in Storebrand ASA at market price, with a new three-year lock -in period.

2) Comprises company car, telephone, insurance, concessionary interest rate and other taxable benefits.

3) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

4) Loans up to 3.5 million follow ordinary employees' conditions while excess loan amount follows the market rate.

The Company has no obligations towards the Chairman upon termination or change of job. Members of the Board and the Audit Committee receive no other compensation than remuneration. Company pays directors' liability insurance for its directors. The Audit Committee has been discontinued with effect from 01.01.2016.

NOK thousand	Remune-ration
Board of Directors	50
Control Committee	175
<b>Total 2015</b>	<b>225</b>
Total 2014	225

Note  
16

## Remuneration paid to auditors

NOK thousand	2015				Total 2014
	Total	of this Deloitte		of this other auditors	
		Norway	Sweden		
Statutory audit	329	180	149	0	152
Tax services	49		329	0	
<b>Total</b>	<b>378</b>	<b>180</b>	<b>479</b>	<b>0</b>	<b>152</b>

The amounts above is excluding vat.

Note | Tax  
17

**TAX COSTS**

NOK thousand	2015	2014
Payable tax <sup>1)</sup>	11,289	12,252
Correction of prior year	-6,182	382
Current tax in Sweden which are not included in the credit deduction	1,678	0
Change in deferred tax	-1,116	3,404
<b>Total tax costs</b>	<b>5,668</b>	<b>16,037</b>

**PAYABLE TAX IN THE BALANCE SHEET**

NOK thousand	2015	2014
Payable tax in profit and loss account	11,289	12,252
Prepaid taxes Sweden	-3,120	-2,428
<b>Payable tax in the balance sheet</b>	<b>8,169</b>	<b>9,823</b>

**CALCULATION OF DEFERRED TAX ASSETS AND DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSSES CARRIED FORWARD**

NOK thousand	2015	2014
<b>Tax increasing temporary differences</b>		
Fixed assets	203	288
Operating assets	2,990	2,408
Translation differences	0	7,915
<b>Total tax increasing temporary differences</b>	<b>3,193</b>	<b>10,611</b>
<b>Tax reducing temporary differences</b>		
Allocations	-828	-1,332
Accrued pension liabilities	-3,920	-3,454
Other	0	0
<b>Total tax reducing temporary differences</b>	<b>-4,748</b>	<b>-4,786</b>
<b>Net deferred tax assets/deferred tax before losses carried forward</b>	<b>-1,556</b>	<b>5,825</b>
<b>Temporary differences not eligible for deferred tax</b>		
<b>Net basis for deferred tax/tax assets</b>	<b>-1,556</b>	<b>5,825</b>
<b>Net deferred tax asset/liability</b>	<b>-389</b>	<b>1,631</b>
<b>RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE</b>		
NOK thousand	2015	2014
Ordinary pre-tax profit	28,766	57,198
Expected tax on income at nominal rate	-7,767	-15,444
Tax effect of:		
permanent differences	-2,474	-2,338
Correction previous years		1,745
Current tax in Sweden which are not included in the credit deduction	6,182	0
Changes in tax rate	67	0
<b>Tax charge</b>	<b>-5,668</b>	<b>-16,037</b>
Effective tax rate	20%	28%



Note  
18

## Intangible assets

NOK thousand	2015	2014
Acquisition cost 01.01	59,535	53,894
Additions in the period:		
Adjusted classification	0	330
Purchased separately	9,099	5,310
<b>Acquisition cost 31.12</b>	<b>68,634</b>	<b>59,535</b>
Accumulated depreciation & write-downs 01.01	-46,668	-41,352
Adjusted classification	0	-66
Amortisation in the period	-6,637	-5,249
<b>Accumulated depreciation</b>	<b>-53,305</b>	<b>-46,667</b>
<b>Carrying amount 31.12</b>	<b>15,329</b>	<b>12,868</b>

Intangible assets applies the company's insurance system, investment in PM-projects and Health App. Investments in insurance system, which is made before 01.01.2013 are as previously considered fully depreciated in 2015. New investments will be depreciated and is considered to have an economic life of 6 years. Investments in PM-projects and Health App are considered to have an economic life of 5 years.

Note  
19

## Tangible fixed assets

NOK thousand	Maskiner	Inventar	2015	2014
<b>Booked value 01.01</b>	14	691	705	1,299
Additions	0		0	0
Disposals		0	0	0
Depreciation	-7	-203	-210	-330
Other changes	0		0	-264
<b>Booked value 31.12</b>	<b>7</b>	<b>488</b>	<b>495</b>	<b>705</b>
Acquisition cost opening balance	648	1,967	2,615	3,021
Acquisition cost closing balance	648	1,967	2,615	2,615
Accumulated depreciation and write-downs opening balance	634	1,276	1,910	1,721
Accumulated depreciation and write-downs closing balance	641	1,479	2,120	1,910
Depreciation method:	Straight line			
Depreciation plan and financial lifetime:				
Equipment	3-4 years			
Fixtures & fittings	8 years			

Note  
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Classification of financial assets and liabilities

NOK thousand	Loans and receivables	Fair value	Liabilities at amortised cost	Total
<b>Financial assets</b>				
Bank deposits	33,352			33,352
Bonds and other fixed-income securities		430,153		430,153
Accounts receivable and other short-term receivables	151,739			151,739
Derivatives		5,878		5,878
<b>Total financial assets 2015</b>	<b>185,091</b>	<b>436,031</b>		<b>621,122</b>
Total financial assets 2014	172,677	411,205		583,882
<b>Financial liabilities</b>				
Other current liabilities			53,494	53,494
<b>Total financial liabilities 2015</b>			<b>53,494</b>	<b>53,494</b>
Total financial liabilities 2014			68,295	68,295

Note  
21

Accounts receivable and other short-term receivables

NOK thousand	2015	2014
Accounts receivable	146,875	118,517
Pre-paid commissions	574	533
Related parties - receivables from reinsurers	425	0
Other current receivables	4,439	5,865
<b>Carrying amount 31.12</b>	<b>152,314</b>	<b>124,915</b>

AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE, ETC 31.12 (GROSS)

NOK thousand	2015	2014
Receivables not fallen due	146,875	118,517
Past due 1 - 30 days		
Past due 31 - 60 days		
Past due 61 - 90 days		
Past due > 90 days		
<b>Gross accounts receivable/receivables from reinsurance</b>	<b>146,875</b>	<b>118,517</b>
Provisions for losses 31.12		
<b>Net accounts receivable/receivables from reinsurance</b>	<b>146,875</b>	<b>118,517</b>

## Note 22 | Bonds and other fixed-income securities

NOK thousand	2015	2014
	Fair value	Fair value
Government and government guaranteed bonds	46,564	42,275
Credit bonds	288,449	262,808
Mortgage and asset backed bonds	95,140	103,252
<b>Total bonds and other fixed-income securities</b>	<b>430,153</b>	<b>408,335</b>

  

	2015	2014
Modified duration	0.18	0.20
Average effective yield	1.91%	1.76%

The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

## Note 23 | Derivatives

NOK thousand	Gross nominal volume	Gross booked value fin. assets	Gross booked value fin. liabilities	Net booked fin. assets/ liabilities	Amounts that can, but are not presented net in the balance sheet		Net amount
					Fin. assets	Fin. liabilities	
Currency derivatives	104,991	5,878					5,878
<b>Total derivatives 2015</b>	<b>104,991</b>	<b>5,878</b>					<b>5,878</b>
Total derivatives 2014	68,958	2,870	0	0	0	0	2,870

Financial derivatives are linked to underlying amounts which are not reported in the statement of financial position. In order to quantify a derivative position, reference is made to such underlying amounts described as the underlying nominal principal, nominal volume and the like. Nominal volume is arrived at differently for different classes of derivatives, and provides some indication of the size of the position and risk the derivative creates. Gross nominal volume mainly gives an indication of the amount, while net nominal volume gives an impression of risk positions. However nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. Unlike gross nominal volume, the calculation of net nominal volume also takes into account which direction of market risk exposure the instrument represents by differentiating between long (asset) positions and short (liability) positions. For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK. Figures for average gross nominal volume are based on daily calculations of gross nominal volume.

## Note 24 | Currency exposure

NOK thousand	Balance sheet items		Net position	
	excl. currency derivatives	Currency derivatives	in currency	in NOK
SEK	Net on balance sheet	Net sales		
	-112,658	100,048	-12,610	-13,239
<b>Total net position foreign currency 2015</b>				<b>-13,239</b>
Total net position foreign currency 2014				-22,899

## Note 25 | Technical insurance reserves

NOK thousand	2015	2014
Gross insurance liabilities		
Booked value 01.01	335,620	284,071
Change in premium and claims reserves	30,666	39,197
Change in security reserve	9,778	9,296
Exchange rate changes	19,690	3,055
<b>Booked value 31.12.</b>	<b>395,754</b>	<b>335,620</b>

### ASSETS AND LIABILITIES

NOK thousand	2015	2014
Receivables concerning insurance contracts	146,875	118,517
<b>Total assets</b>	<b>146,875</b>	<b>118,517</b>
Premium reserve	229,113	195,253
Claims reserve	79,517	66,928
- of which RBNS	70,059	58,968
- of which settlement costs	9,458	7,961
Security reserve	87,123	73,438
Liabilities concerning insurance contracts	10,048	3,831
<b>Total liabilities</b>	<b>405,802</b>	<b>339,450</b>

### TECHNICAL INSURANCE RESERVES

NOK thousand	2015	2014
Non-earned gross premiums	229,113	195,253
The Norwegian FSA's minimum requirement	229,113	195,253
Gross claims reserves	79,517	66,928
The Norwegian FSA's minimum requirement	75,343	59,002
Security reserve	87,123	73,438
The Norwegian FSA's minimum requirement	87,123	73,438

### TECHNICAL INSURANCE RESERVES CLASSIFIED AS OTHER EQUITY

NOK thousand	2015	2014
Provision for guarantee reserve	11,044	19,507
The Norwegian FSA's minimum requirement	11,044	19,507

## Note 26 | Current liabilities

NOK thousand	2015	2014
Accounts payable	1,181	9,141
Governmental fees and tax withholding	2,161	2,096
Other current liabilities	638	552
<b>Carrying amount 31.12</b>	<b>3,980</b>	<b>11,789</b>

## Capital requirements and solvency requirements

Non-life insurance companies follow the same capital adequacy rules as life insurance companies, banks and other financial institutions. The requirement is for 8 per cent primary capital in relation to the risk-weighted statement of financial position total. From 2016 capital requirements and capital adequacy and solvency 1 is replaced by solvency 2.

### SPECIFICATION OF THE CAPITAL ADEQUACY:

NOK thousand	2015	2014
Share capital	33,000	33,000
Share premium account	122,000	122,000
Other retained earnings	10,528	4,717
Total equity	165,528	159,717
Intangible assets	-15,718	-12,868
<b>Net primary capital</b>	<b>149,810</b>	<b>146,849</b>
Calculation base by class of risk weighting	721,304	651,208
Risk weight 0%	0	0
Risk weight 10%	90,116	98,166
Risk weight 20%	363,433	348,365
Risk weight 50%	0	0
Risk weight 100%	162,764	135,719
Derivatives	104,991	68,959
Weighted assets in the balance sheet	244,462	215,209
Weighted FX contracts	1,386	712
Risk weighted calculation base	245,848	215,920
<b>Capital adequacy ratio</b>	<b>60.9%</b>	<b>68.0%</b>

### SOLVENCY MARGIN

NOK thousand	2015	2014
Solvency margin demand	103,393	91,163
Solvency margin capital	189,017	179,896
<b>Solvency margin</b>	<b>182.8%</b>	<b>197.3%</b>

### SPECIFICATION OF SOLVENCY MARGIN CAPITAL

NOK thousand	2015	2014
Net primary capital	149,810	146,849
Counting security reserve	39,207	33,047
<b>Solvency capital</b>	<b>189,017</b>	<b>179,896</b>

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

Note 28 | Number of employees

	2015	2014
Number of employees at 31.12.	37	33
Average number of employees	36	35
Fulltime equivalent positions at 31.12.	36	32
Average number of fulltime equivalents	35	34

Note 29 | Transactions with related parties

Storebrand Helseforsikring is a joint venture company owned by Storebrand ASA (50%) and Munich Health Holding AG (50%).

Transactions with related parties are included among the products and services offered by the companies to external customers. The transactions are entered into on commercial terms. For the Storebrand companies this includes occupational pensions, medical/personal injury insurance, leasing of premises, investment management, purchase and sale of services. Munich Re is Storebrand Helseforsikring's reinsurer.

For more detail, see information on executives in note 15.

NOK thousand	2015					2014				
	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities
Munich Re			929	425	324			838		100
Munich Health Holding AG					11,548					20,581
Storebrand ASA					11,548					20,581
Storebrand Baltic	5,477				361	4,739				896
Storebrand Livsforsikring AS	10,864	12,963			7,743	10,838	6,075		2,923	191
Storebrand Forsikring AS	1,375			3,058		1,375				
Storebrand Pensjonstjenester AS	-33					44				44
SPP Pension & Försäkring NUF	1,839				244	1,212			91	0
<b>Total</b>	<b>19,522</b>	<b>12,963</b>	<b>929</b>	<b>3,482</b>	<b>31,770</b>	<b>18,209</b>	<b>6,075</b>	<b>838</b>	<b>3,014</b>	<b>42,392</b>

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Helseforsikring AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Helseforsikring AS, which comprise the statement of financial position as at December 31, 2015, the statement of comprehensive income, showing a comprehensive income of TNOK 20.445, the statement of change in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Helseforsikring AS as at December 31, 2015,

and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### **Report on Other Legal and Regulatory Requirements**

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the comprehensive income is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 4, 2016  
Deloitte AS

Henrik Woxholt (signed)  
State Authorised Public Accountant (Norway)

Translation has been made for information purpose only



## EXPRESSIONS

### **Insurance profit and loss**

Premium income less cost of claims and operating costs.

### **Risk profit and loss**

Premium income less cost of claims.

### **Cost ratio**

Operating costs as a percentage of accrued premiums.

### **Claims ratio**

Claims paid as a percentage of accrued premiums.

### **Combined ratio**

Cost ratio plus claims ratio.

### **Own account**

Amounts added/subtracted for re-insurance.

### **Reinsurance**

Transfer of part of the risk to another insurance company.

### **Insurance-related returns [non-life insurance]**

For a more detailed description of insurance-related returns and accrual of of premiums and claims, see note 1 - Accounting principles.

### **IBNR reserves (Incurred but not reported)**

Provision for claims for insured risks which have occurred but have not been reported to the insurance company.

### **RBNS reserves (Reported but not settled)**

Provisions for settlement of claims notified but not yet settled.

### **Duration**

Average remaining period of an income stream from interest-bearing securities. Modified duration is calculated on the basis of the duration and reflects value sensitivity to underlying interest rate changes.

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