



If you become ill or injured you would like a quick return to everyday life. With our health insurance, you will get specialist treatment within two weeks.

Emma Guldbrandsen
Storebrand



Annual report 2018 Storebrand Helseforsikring AS

ABOUT THE COMPANY

Storebrand Helseforsikring AS is 50 per cent-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 for General Insurance Companies which are in accordance with international accounting principles (IFRS), but with some adjustments. The result before tax expense was NOK 85.6 million (NOK 105.7 million).

Gross premium written was NOK 703.3 million (NOK 669.3 million), a 5.1 per cent increase, compared with 2017. Premium income for own account was NOK 683.8 million (NOK 649.9 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 written premiums.

Claims incurred for own account were NOK 481.2 million (NOK 439.6 million) for the year. Claims ratio was 70.4 per cent (67.7 per cent). The underlying risk development of the company is satisfactory.

Insurance-related operating costs were NOK 121.9 million (NOK 112.5 million). The cost ratio was 17.8 per cent, an increase of 0.5 percentage points, compared with the previous year.

Combined ratio was 88.2 per cent (85.0 per cent) in 2018.

Storebrand Helseforsikring achieved a financial return of 1.5 per cent (2.07 per cent) for the investment portfolio. Result of non-technical account totalled NOK 4.6 million (NOK 8.0 million) for the year. Financial income was negatively impacted by increased credit spreads in the Norwegian bond market in 2018. Currency fluctuations resulted in a total currency gains / losses, including the effects of currency derivatives, on minus NOK 2.0 million. The company has a conservative investment strategy, with most of the funds placed in certificates and bonds.

Storebrand Helseforsikring is in a payable tax position. The tax expense for 2018 was NOK 19.7 million (NOK 27.0 million). The result after tax expense is NOK 65.9 million (NOK 78.7 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 2018 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 2018 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' reinsurance policy. The insurance risk is considered low to moderate, with the agreements that have been entered into.

CAPITAL SITUATION

Storebrand Health Insurance had a total balance of NOK 738.3 million (NOK 733.3 million) at the end of 2018. Storebrand Health Insurance equity amounted to NOK 179.7 million (NOK 243.8 million), a decrease of NOK 64.1 million due to a payment of dividend exceeding this year's result. Dividend exceeding this year amounted to NOK 64.1 million.

The solidity in Storebrand Health Insurance is good and the company had a solvency margin of 139 per cent (225 per cent) for 2018. The company's strategy is to hold a solid 130 per cent solvency.

The company is subject to the Solvency II regulations for insurance companies and uses the standard model for solvency calculations.

RESPONSIBILITY

Storebrand Health Insurance is following the policy of the Storebrand Group on the topics below.

SUSTAINABILITY

Our internal motivation is about creating security today and a future you can look forward to. The object of the company describes what we work towards, every day: a safe and sustainable future with the financial freedom to experience whatever you want. We shall ensure that our customers have a future to look forward to. We will achieve this by demonstrating that long-term thinking combined with sustainability is the path to progress and by always putting the customer's needs first.

The Storebrand Group's work on sustainability has its origins in asset management, where we established a dedicated sustainability analysis for our investments in 1995. There are four areas that are of particular importance in our work on sustainability: Sustainable investments, climate strategy, guidelines for sustainability and commitments and cooperation.

Through a systematic screening of every company, our sustainability team in asset management analyses the companies' ability to adapt to global sustainability trends. Using our method we exclude companies that violate our standard for sustainable investments, pick the best companies that are positioned for global challenges and rank all funds according to their sustainability.

We have implemented a separate climate strategy in our sustainability analysis and are working towards the goal of our business having as little impact on the climate as possible.

We have guidelines for how we operate and work on sustainability which apply to our entire business. We have a number of commitments to sustainability through participation in international cooperation, including UNPRI, the UN's Principles for Responsible Investment, and PSI, the UN's Principles for Sustainable Insurance. Sustainability reporting is integrated into Storebrand ASA's annual report and follows the Global Reporting Initiative's (GRI) reporting guidelines.

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. The Head office is a low emission building and uses renewable energysources like solar energy and district heating. The head office is a certified Miljøfyrtårn (Eco-Lighthouse).

PERSONNEL, ORGANIZATION AND GOVERNING BODIES

At the end of the year there were 30 employees, compared with 34 at the beginning of the year. 2 persons are employed at the branch in Sweden, compared with 3 at the beginning of the year. The share of women at the company is 75 per cent (74 per cent). The average age is 42 years and average length of service is 10 years.

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 2018, 57 percent of the company's board consists of women. The share of women in senior management is 50 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. In 2018 the company has 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 2018 of 6.0 per cent, which are an decrease of 1.8 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 reported in Storebrand in 2018.

BOARD AND MANAGEMENT CHANGES

Silke Lautenschläger, Ketil Eilev Bøe and Andreas Ree has entered the company board in 2018, while Thomas Schöllekopf, Andrew Kielty, Jostein Christian Dalland and Therese Barski has left the company board. There has been no change in management during 2018.

PROSPECTS FOR THE FUTURE

Storebrand Helseforsikring is a major 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 141,000 customers. In 2018, 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 considered 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 2018.

ALLOCATION OF PROFIT FOR THE YEAR

The 2018 result for Storebrand Helseforsikring AS was NOK 65.9 million (NOK 80.0 million).

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 million	2018
Transferred to guarantee reserve	0.6
Allocated to dividend	130.0
Transferred from other equity	-64.7
Total	65.9

Lysaker, 26 March 2019
The Board of Storebrand Helseforsikring AS

Translation not to be signed

Heidi Skaaret
Chairman

Silke Lautenschläger

Michaela Bruneheim

Anja Berner

Ketil Eilev Bøe

Andreas Ree

Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of Comprehensive Income

1 JANUARY - 31 DECEMBER

NOK thousand	Note	2018	2017
TECHNICAL ACCOUNTS			
PREMIUMS			
Gross premiums earned		685,576	651,560
- Reinsurers' share		-1,756	-1,708
Premium income for own account	10,12	683,820	649,852
Other insurance related income		124	44
CLAIMS EXPENSES			
Incurred claims gross		-481,468	-439,684
- Reinsurers' share		300	55
Claims expenses for own account	5,12	-481,169	-439,629
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses		-51,201	-46,293
Insurance related administration expenses (incl. commissions for reinsurance recived)		-70,650	-66,253
Insurance related operating expenses	13,14,15,16	-121,851	-112,547
Technical profit		80,924	97,720
NON-TECHNICAL ACCOUNTS			
NET INCOME FROM FINANCIAL ASSETS			
Interest and dividend etc from financial assets		11,167	11,396
Change in value on investments		2,485	-2,325
Realised gain and loss on investments		-8,788	3,347
Expenses associated with administration of investments, including interest expenses		-498	-502
Net income from investments	11	4,366	11,917
Other income		461	10,202
Other expenses		-180	-14,132
Non-technical profit		4,647	7,987
Pre tax profit		85,571	105,707
Tax	17	-19,674	-27,033
Profit/loss for the year		65,897	78,674
Other comprehensive income and expenses not to be classified to profit/loss			
Change in actuarial assumptions		26	1,765
Tax on other comprehensive income and expenses not to be classified to profit/loss	17	-6	-441
Total comprehensive income		65,916	79,998

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2018	2017
ASSETS			
Intangible assets	18	37,868	15,122
Total intangible assets		37,868	15,122
FAIR VALUE FINANCIAL INVESTMENTS			
Bonds and other securities - fixed yield	22	487,850	505,117
Financial derivatives	23	4,255	1,474
Total fair value financial instruments	8,9,20	492,104	506,591
RECEIVABLES			
Receivables in connection with direct business transactions			
- Due from policyholders	25	161,172	149,606
Other receivables	29	17,477	19,393
Total receivables	20,21	178,648	168,999
OTHER ASSETS			
Fixed assets	19		84
Cash and cash equivalents	8,20	28,567	42,313
Pension assets	14	70	43
Total other assets		28,637	42,440
Prepaid expenses and income earned not received			
Total prepaid expenses and income earned not received	21	992	174
Total assets		738,251	733,327

Storebrand Helseforsikring AS

Statement of financial position

31 DECEMBER

NOK thousand	Note	2018	2017
EQUITY CAPITAL AND LIABILITIES			
PAID IN CAPITAL			
Share capital		33,000	33,000
Share premium reserve		122,000	122,000
Total paid in capital	27	155,000	155,000
EARNED EQUITY			
Allocation to guarantee scheme		13,647	13,041
Other earned equity		11,064	75,753
Total earned equity	27	24,711	88,795
GROSS INSURANCE LIABILITIES			
Reserve for unearned premiums gross		266,982	252,371
Claims reserve gross	5	80,780	72,398
Total insurance liabilities gross	25	347,762	324,769
RESERVES FOR LIABILITIES			
Period tax liabilities	17	24,092	30,814
Deferred tax	17	15,055	21,980
Total reserves for liabilities		39,147	52,794
LIABILITIES			
Liabilities in connection with direct insurance	25	13,492	10,802
Allocation to dividends	29	130,000	78,674
Liabilities to related parties	29	268	219
Other liabilities	26	16,011	10,543
Total liabilities	20	159,771	100,238
Accrued expenses and received, unearned income		11,860	11,730
Total accrued expenses and received, unearned income	20	11,860	11,730
Total equity capital and liabilities		738,251	733,327

Lysaker, 26 March 2019
The Board of Storebrand Helseforsikring AS

Translation not to be signed

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Bjarke Thorøe
CEO

Storebrand Helseforsikring AS

Statement of cash flow

1 JANUARY - 31 DECEMBER

NOK thousand	2018	2017
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Paid-in premiums gross insurance	689,556	671,322
Paid-out claims gross insurance	-472,787	-440,574
Tax payable for the period	-33,327	-16,273
Net receipts/payments operations	-109,957	-128,168
Net cash flow from operational activities before financial assets	73,484	86,307
Net receipts/payments - financial assets	19,812	15,350
Net cash flow from operational activities	93,296	101,656
CASH FLOW FROM INVESTMENT ACTIVITIES		
Net receipts/payments – sale/purchase of fixed assets	-28,368	-8,403
Net cash flow from investment activities	-28,368	-8,403
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	-78,674	-72,379
Net cash flow from financing activities	-78,674	-72,379
Net cash flow for the period	-13,746	20,874
Net movement in cash and cash equivalent assets	-13,746	20,874
Cash and cash equivalent assets at start of the period	42,313	21,439
Cash and cash equivalent assets at the end of the periode	28,567	42,313

Storebrand Helseforsikring AS

Statement of change in equity

NOK thousand	Share capital	Share premium reserve	Total paid in capital	Guarantee scheme	Other equity	Total retained earnings	Total equity
Equity 01.01.17	33,000	122,000	155,000	12,237	75,234	87,471	242,471
Profit					78,674	78,674	78,674
Change in guarantee reserve				804	-804	0	0
Change in pension experience adjustments					1,765	1,765	1,765
Tax on other comprehensive income					-441	-441	-441
Share dividend					-78,674	-78,674	-78,674
Equity 31.12.17	33,000	122,000	155,000	13,041	75,754	88,795	243,795
Profit					63,719	63,719	63,719
Change in guarantee reserve				606	-606	0	0
Change in pension experience adjustments					26	26	26
Tax on other comprehensive income					-6	-6	-6
Share dividend					-130,000	-130,000	-130,000
Equity 31.12.18	33,000	122,000	155,000	13,647	11,064	24,711	179,711

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
Total share capital	33,000		33,000

Notes

Storebrand Helseforsikring AS

Note 01 | Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Regulations on Financial Statements for General Insurance Companies which is in accordance with international accounting principles (IFRS), but with some adjustments.

1.1 - CHANGES IN ACCOUNTING PRINCIPLES

IFRS 9

IFRS 9 Financial Instruments have replaced IAS39, and entered into force from 1 January 2018. For insurance-dominated groups and companies, IFRS 4 allows for either the implementation of IFRS 9 to be deferred (deferral approach) or to enter the differences between IAS39 and IFRS 9 through Other Comprehensive Income (overlay approach) until implementation of IFRS 17 on 1 January 2022. Storebrand Helseforsikring AS qualifies for temporary deferral of IFRS 9.

Classification and estimate IAS 39 vs IFRS 9 31.12.2018

IFRS 9 Classification of financial instruments (cf, IFRS4, 39E)

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2018	Fari value after IFRS9 1.1.2018	Booked value after IAS39 31.12.2018	Fari value after IFRS9 31.12.2018
Financial assets						
Bank deposits	AC	AC	42,313	42,313	28,567	28,567
Accounts receivable and other short-term receivables	AC	AC	169,173	169,173	179,641	179,641
Total financial assets			211,486	211,486	208,208	208,208

IFRS9 - Financial instruments at fair value

NOK thousand	IAS 39 classification	IFRS 9 classification	Booked value after IAS39 1.1.2018	Fari value after IFRS9 1.1.2018	Booked value after IAS39 31.12.2018	Fari value after IFRS9 31.12.2018
Financial assets						
Bonds and other fixed-income securities	FVP&L (FVO)	FVP&L	505,117	505,117	487,850	487,850
Total financial assets			505,117	505,117	487,850	487,850

AC = amortised cost

FVP&L / FVP&L (FVO) – fair value in profit/loss

1.2 - 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.

1.3 - FINANCIAL INSTRUMENTS - 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.

At fair value through profit or loss in accordance with the fair value option (FVO)

A significant proportion of Storebrand's financial instruments are classified in the category of fair value through profit or loss because:

- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or
- the financial assets form part of a portfolio that is managed and reported on a fair value basis.

The accounting is equivalent to that of the held for trading category (the instruments are measured at fair value and changes in value are recognised in the income statement).

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.

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.

1.4 – 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 for General Insurance Companies. Under the Act on Insurance Activity, insurance-related provisions must be sound.

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

1.4.1 - UNEARNED PREMIUMS (PREMIUM RESERVE)

Reserve for unearned premium for own account concerns on-going policies that are in force at the time the financial statements were closed and is intended to cover the contracts' remaining risk period. Accrued entitlements are calculated on a pro rata basis and without any deduction for costs.

1.4.2 - CLAIMS RESERVE

The claims reserve is a reserve for expected claims that have been reported, but not settled. The reserve also covers expected claims for losses that have been incurred, but have not been reported at the expiry of the accounting period. In addition, claims reserves shall include a separate provision for future claims on losses that have not been settled.

1.4.3 - 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.

1.5 - PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Helseforsikring has a defined contribution pension scheme. The defined contribution pension scheme involves the company paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The company does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined contribution pension schemes are recognised directly in the financial statements.

Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

1.6 - TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed assets comprise equipment, fixtures and fittings and IT systems. Equipment, inventory and IT systems are valued at acquisition cost less accumulated depreciation and any write-downs. The write-down period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any impairment losses are charged to the income statement as the difference between the carrying value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date it is determined as to whether there is the option to reverse previous impairment losses on non-financial assets.

1.7 - TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in total comprehensive income. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Deferred tax is calculated on the basis of the company's tax loss carryforwards, deductible temporary differences and taxable temporary differences.

Changes in assets and liabilities associated with deferred tax that are due to changes in the tax rate are generally recognised in the income statement.

1.8 - 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 most important estimates, in the sense that their ultimate realization could lead to material adjustments of recognized amounts, are the claims reserves. The claim reserves are estimates for the cost of incurred but not yet settled 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 lines of defence. The model safeguards risk management responsibility in the company.

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. In terms of function the independent control functions are affiliated with the Group CRO, who is responsible to the Group CEO. 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

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. The definition includes compliance risk: Compliance risk is the risk of loss or public sanctions as a result of non-compliance with external or internal rules.

Risk management shall ensure that the risk level at any time is compatible with the appetite for risk and within internal and regulatory frameworks. The company seeks to reduce operational risk through an effective system for internal control. Risks are followed up through the management's risk reviews, with documentation of risks, measures and the follow-up of incidents. In addition, Internal Audit carries out independent checks through audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious incidents in business-critical processes and recovery plans.

Storebrand's IT systems are vital for operations as well as complete, accurate and reliable financial reporting. Errors and disruptions could affect operations and affect both customers and shareholders trust. In worst case incidents lead to sanctions from regulators.

Storebrand's IT platform is characterized by complexity and integration between various business systems and public systems. The operation of the IT systems is largely outsourced to various service providers. There is established a management model with close monitoring of suppliers and internal control activities in order to reduce the risk associated with IT systems' development, management, operation and information security. Insurance platform is based on purchased standard systems operated and monitored through outsourcing agreements.

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 expenses. 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 500,000 per person per year.

DEVELOPMENT IN INSURANCE CLAIM PAYMENT:

NOK thousand	2013	2014	2015	2016	2017	2018	Total
Calculated gross cost of claims							
At end of the policy year	277,702	319,038	377,916	400,892	419,111	457,512	
- one year later	282,569	327,096	365,884	384,143	410,218		
- two years later	281,819	326,824	365,543	383,690			
- three years later	281,888	326,732	365,365				
- four years later	281,813	326,637					
- five years later	281,802						
Calculated amount 31.12							
Total disbursed to present	281,794	326,622	365,328	383,520	409,211	388,466	2,154,941
Claims reserve *)	8	16	38	171	1,020	70,030	71,284
Claims reserve for claims from prior years (before 2013)							6
Total trend in claims disbursed *)							71,291

*) Excluding claims handling costs who amounts to NOK 9,489 thousand in 2018

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 0.50. 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.

Note 08 | Credit risk

Storebrand has risk of loss associated with a counterparty not meet their debt obligations. The risks include losses related to lack of contractual non-performance by counterparties to derivative financial instruments.

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	23,150	97,520			120,670
Financial and corporate bonds			178,803	163,221	342,024
Asset backed securities	25,156				25,156
Total interest-bearing securities 2018	48,306	97,520	178,803	163,221	487,850
Total interest-bearing securities 2017	42,741	121,717	144,310	196,349	505,117

COUNTERPARTIES

NOK thousand	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
Derivatives			4,255		4,255
Total derivatives excluding derivatives in bond fund 2018		0	4,255		4,255
Total derivatives excluding derivatives in bond fund 2017			1,474		1,474
Bank deposit 2018	0	28,567			28,567
Bank deposit 2017		43,313			43,313

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

NOK thousand	2018
Booked value maximum exposure for credit risk	487,872
Net credit risk	487,872
This year's change in fair value due to change in credit risk	27

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 Nordic bond pricing 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.

The 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.

The 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.

The Company has no such investments.

NOK thousand	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2018	2017
Bonds and other fixed income securities					
- Government and Government guaranteed bonds		120,670		120,670	139,294
- Credit bonds		342,024		342,024	340,659
- Mortgage and asset backed bonds		25,156		25,156	25,164
Total bonds and other fixed income securities 2018		487,850		487,850	
Total bonds and other fixed income securities 2017		505,117			505,117
Derivatives:					
- Currency derivatives		4,255		4,255	1,474
Total derivatives 2018		4,255		4,255	
Total derivatives 2017		1,474			1,474

Note
10

Premium income by country

BREAKDOWN BETWEEN OPERATIONS IN NORWAY AND SWEDEN:

NOK thousand	Norway		Sweden		Total	
	2018	2017	2018	2017	2018	2017
Gross premiums written	319,520	306,558	383,758	362,711	703,277	669,269
Gross premium earned	316,746	303,872	368,831	347,688	685,576	651,560
Reinsurers' share	-1,201	-1,191	-554	-517	-1,756	-1,708
Earned premium for own account	315,544	302,681	368,276	347,171	683,820	649,852

Note
11

Net income from different classes of financial instruments

NOK thousand	2018	2017
Interest bonds and other fixed-income securities at fair value	11,167	11,396
Total interest income financial assets	11,167	11,396
Revaluation bonds and other fixed-income securities at fair value	-296	-1,516
Revaluation derivatives	2,780	-808
Total revaluation on investments	2,485	-2,325
Profit on bonds and other fixed-income securities at fair value	-3,492	465
Profits on derivatives	-5,296	2,883
Total gains and losses on financial assets	-8,788	3,347
Management expenditure	-498	-502
Net income from financial assets	4,366	11,917

Note 12 | Technical result

NOK thousand	2018	2017
Gross business		
Written premiums	703,277	669,269
Earned premiums	685,576	651,560
Ceded premiums	-481,468	-439,684
Technical result gross	204,108	211,876
Ceded business		
Earned premiums	-1,756	-1,708
Losses incurred	300	55
Technical result ceded	-1,456	-1,653
For own account		
Earned premiums	683,820	649,852
Losses incurred	-481,169	-439,629
Technical result for own account	202,651	210,223
Losses incurred gross		
Incurred this year	-491,098	-456,629
Incurred in previous years	9,630	16,945
Total for the financial year	-481,468	-439,684

Note 13 | Insurance-related sales and administration expenses

NOK thousand	2018	2017
Personnel expenses	749	755
Commissions	50,429	45,219
Other sales expenses	-475	-184
Total insurance-related sales expenses	50,702	45,791
Personell expenses	23,036	14,561
Other insurance-related operating expenses	48,112	52,195
Total insurance-related operating expenses	121,851	112,547

Note
14

Pensions costs and pension liabilities

Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:

- 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" was NOK 96,883 at 31 December 2018)
- 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.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 per cent in 2018. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partially disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

The pension plan for employees at SPP in Sweden follows the plan for bank employees in Sweden (BTP).

SPP has a defined-contribution occupational pension known as BTP1. All new employees were enrolled in this pension agreement from and including 1 January 2014. In BTP1, the employer pays a premium for pension savings that is calculated based on pensionable salary up to 30 times the "basic income amount" (inkomstbasbelopp). The insurance includes retirement pension with or without mortality inheritance, disability pension and children's pension. The premium is calculated independently of age and is calculated primarily based on the monthly salary. The premium is paid monthly in two parts, a fixed part that is 2.5 per cent of the pensionable salary up to and including 7.5 times the "basic income amount". The optional part of the premium is 2 per cent of salary up to and including 7.5 times the "basic income amount" and 30 per cent of salary between 7.5 and 30 times the "basic income amount".

The ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP.

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

NOK thousand	2018	2017
Present value of insured pension benefit liabilities	72	77
Pension assets as fair value	-142	-120
Net pension liability/surplus for the insured schemes		
Present value of the uninsured pension liabilities	-70	-43
Net pension liabilities in the statement of financial position	-70	-43

Provision for employment taxes are included in the gross obligation.

BOOKED IN THE STATEMENT OF FINANCIAL POSITION

NOK thousand	2018	2017
Pension assets	70	43
Pension liabilities		

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITY IN THE PERIOD

NOK thousand	2018	2017
Net pension liability at 01.01.	42	2,508
Interest on pension liabilities	2	57
Experience adjustments	-7	-2,398
Pension paid		-125
Net pension liability at 31.12.	37	42

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

NOK thousand	2018	2017
Fair value of pension assets at 01.01	85	825
Expected return	3	18
Experience adjustments	19	-633
Pension liabilities additions/disposals		-125
Net pension assets at 31.12	107	85

Expected premium payments (contributions) in 2019	1
Expected premium payments (defined benefit) in 2019	1,757
Expected AFP early retirement scheme payments in 2019	250

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

	2018	2017
Real estate	14%	12%
Bonds at amortised cost	36%	32%
Mortgage loans and other loans	14%	12%
Equities and units	12%	15%
Bonds	24%	27%
Other short term financial assets	1%	
Total	100%	100%

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	2.2 %	3.8 %
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NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

NOK thousand	2018	2017
Current service expenses		
Net interest expenses/expected return	-1	39
Total defined benefit pension schemes	-1	39
The period's payment to contribution scheme/AFP	2,325	2,271
Net pension expenses booked to profit and loss account in the period	2,324	2,310

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

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK thousand	2018	2017
Loss (profit) – change to the discount rate	-6	
Loss (profit) – experienced DBO		-2,398
Loss (profit) – experienced pension funds	-19	633
Remeasurements loss (gain) in the period	-26	-1,765

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

	2018	2017
Discount rate	2.8 %	2.6 %
Expected earnings growth	2.5 %	2.3 %
Expected annual increase in social security pensions	2.5 %	2.3 %
Expected annual increase in pensions in payment	0.0 %	0.0 %
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. A discount rate determined by reference to covered bonds (OMF) is used. Based on observed market and volumes the Norwegian covered bond market, in Storebrands perception, must be 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 2018.

Note
15

Remuneration of senior employees and elected officers of the company

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	Other benefits ¹⁾	Total remuneration for the year	Pension accrued for the year	Loan ²⁾	No. of shares owned ³⁾
Senior employees						
Bjarke Thorøe	2,263	150	2,413	334	3,500	1200
Total 2018	2,263	150	2,413	334	3,500	1,200
Total 2017	1,786	178	1,964	255	3,500	500

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

2) Employees can borrow up to NOK 7.0 million with subsidised rates while excess loan amount hold market rate.

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.

NOK thousand	Remuneration
Board of Directors	95
Total 2018	95
Total 2017	50

Note
16

Remuneration paid to auditors

NOK thousand	2018			2017
	Total	Norway	Sweden	Total
Statutory audit	306	227	79	479
Tax services	0			0
Total	306	227	79	479

The amounts above is excluding VAT.

The Storebrand Group changed external auditor in 2018. Auditing expenses include expenses for both PwC and Deloitte.

Note 17 | Tax

TAX EXPENSES

NOK thousand	2018	2017
Payable tax ¹⁾	28,371	26,768
Correction of prior year	-1,765	770
Change in deferred tax	-6,931	-505
Total tax expenses	19,674	27,033

¹⁾ PAYABLE TAX IN THE BALANCE SHEET

NOK thousand	2018	2017
Payable tax in profit and loss account	28,371	26,768
Prepaid taxes	-4,279	4,046
Payable tax in the balance sheet	24,092	30,814

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

NOK thousand	2018	2017
Tax increasing temporary differences		
Fixed assets	-70	14
Pension assets	70	43
Financial assets	3,253	768
Security reserve	57,718	87,123
Total tax increasing temporary differences	60,971	87,949
Tax reducing temporary differences		
Allocations	-750	-29
Total tax reducing temporary differences	-750	-29
Net deferred tax assets/deferred tax before losses carried forward	60,221	87,920
Temporary differences not eligible for deferred tax		
Net basis for deferred tax/tax assets	60,221	87,920
Net deferred tax asset/liability	15,055	21,980

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK thousand	2018	2017
Ordinary pre-tax profit	85,571	105,707
Expected tax on income at nominal rate	-21,393	-26,427
Tax effect of:		
permanent differences	-47	164
Changes from previous years	1,765	-770
Tax charge	-19,674	-27,033
Effective tax rate	23 %	26 %

NEW TAX RULES FOR NON-LIFE INSURANCE COMPANIES

In December 2018, the Storting adopted amendments to the tax rules for non-life insurance companies. The changes came into force with effect from the 2018 income year, and entail that tax deductions for costs that are likely to arise will only be granted on an ongoing basis. Specifically, the provision deduction is limited to provisions for probable future costs related to insurance liabilities. The deduction rule is based on the following balance sheet figures in the accounts:

- Provision for gross unearned premiums
- Provision for unexpired risk
- Gross claims provision

Therefore tax deductions are no longer granted for provisions for the guarantee scheme or the natural disaster fund.

At the time of the introduction of the new rules, transitional rules were also adopted which give non-life insurance companies the opportunity to transfer the difference between the provisions for 2017 and the provisions for 2018 to a separate account with 10 per cent linear revenue income recognition over 10 years with effect from the 2018 income year. The company has applied this transitional rule.

According to the transitional rules, net provisions for the natural disaster fund and the guarantee scheme at the end of 2017 can be set aside in a separate account that will be subject to taxable revenue recognition upon the liquidation of the business. There will be no tax expense and thus no basis for the recognition of deferred tax deductions in the balance sheet.

Note 18

Intangible assets

NOK thousand	IT- systemes	
	2018	2017
Acquisition cost 01.01	78,530	70,127
Additions in the period:		
Purchased separately	28,368	8,403
Scrapped	-69	
Acquisition cost 31.12	106,829	78,530
Accumulated depreciation & write-downs 01.01	-63,407	-58,303
Amortisation in the period	-5,553	-5,105
Accumulated depreciation & write-downs 31.12	-68,960	-63,407
Carrying amount 31.12	37,868	15,122

The intangible assets consist of IT systems. In 2018 it was decided to invest in a new core insurance system from the Danish company TIA Technology. The system satisfies the requirements in IAS 38 and will be amortized over the expected economic lifetime. Amortization will start when the system is ready for use.

Note 19 | Tangible fixed assets

NOK thousand	Equipment	Fixtures & fittings	Total 2018	2017
Booked value 01.01		84	84	288
Depreciation		-84	-84	-204
Other changes				104
Booked value 31.12	0	0	0	84
Acquisition cost opening balance	627	1,987	2,614	2,615
Acquisition cost closing balance	0	0	0	2,615
Accumulated depreciation and write-downs opening balance	627	1,903	2,530	2,327
Accumulated depreciation and write-downs closing balance	0	0	0	2,531

Depreciation method:	Linear
Depreciation plan and financial lifetime:	
Equipment	3-4 years
Fixtures & fittings	8 years

Note 20 | Classification of financial assets and liabilities

NOK thousand	Loans and receivables	Fair value, held for sale	Fair value	Liabilities at amortised cost	Total
Financial assets					
Bank deposits	28,567				28,567
Bonds and other fixed-income securities			487,850		487,850
Accounts receivable and other short-term receivables	178,648				178,648
Derivatives		4,255			4,255
Total financial assets 2018	207,216	4,255	487,850		699,320
Total financial assets 2017	211,312	1,474	505,117		717,903
Financial liabilities					
Other current liabilities				175,731	175,731
Total financial liabilities 2018				175,731	175,731
Total financial liabilities 2017				111,969	111,969

Note 21 | Accounts receivable and other short-term receivables

NOK thousand	2018	2017
Accounts receivable	161,172	149,606
Pre-paid commissions	992	174
Other current receivables	17,477	19,393
Carrying amount 31.12	179,641	169,173

AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE, ETC 31.12 (GROSS)

NOK thousand	2018	2017
Receivables not fallen due	152,320	145,980
Past not distributed	8,851	3,626
Gross accounts receivable/receivables from reinsurance	161,172	149,606
Net accounts receivable/receivables from reinsurance	161,172	149,606

Note 22 | Bonds and other fixed-income securities

NOK thousand	2018 Fair value	2017 Fair value
Government and government guaranteed bonds	120,670	139,294
Corporate bonds	342,024	340,659
Asset backed bonds	25,156	25,164
Total bonds and other fixed-income securities	487,850	505,117
Modified duration	0.50	0.60
Average effective yield	1.59%	1.28%

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

Nominal volume

Financial derivative contracts are related to underlying amounts which are not capitalised in the statement of financial position. In order to quantify a derivative position, reference is made to amounts described as the underlying nominal principal, nominal volume, etc. 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 principally indicates the size of the exposure, whilst net nominal volume provides some indication of the risk exposure. 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. A long position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, a long position produces a gain if interest

rates fall, as is the case for bonds. 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.

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		
					Fin. assets	Fin. liabilities	Net amount
Currency derivatives	78,135	4,255					4,255
Total derivatives 2018	78,135	4,255	0	0	0	0	4,255
Total derivatives 2017	79,921	1,474	0	0	0	0	1,474

Note 24 | Currency exposure

Financial assets and liabilities in foreign currencies

Financial assets and liabilities in foreign currencies NOK thousand	Balance sheet items excl. currency derivatives	Currency derivatives	Net position	
	Net on balance sheet	Net sales	in currency	in NOK
SEK	-118,201	80,000	-38,201	-37,311
Total nettoposisjon valuta 2017				-37,311
Total nettoposisjon valuta 2016				-15,353

Note 25 | Technical insurance reserves

NOK thousand	2018	2017
Gross insurance liabilities		
Booked value 01.01	324,769	299,707
Change in premium and claims reserves	26,465	15,114
Exchange rate changes	-3,473	9,948
Booked value 31.12.	347,762	324,769

ASSETS AND LIABILITIES

NOK thousand	2018	2017
Receivables concerning insurance contracts	161,172	149,606
Total assets	161,172	149,606
Premium reserve	266,982	252,371
Claims reserve	80,780	72,398
- of which IBNS	71,291	63,787
- of which settlement expenses	9,489	8,611
Liabilities concerning insurance contracts	13,492	10,802
Total liabilities	361,254	335,571

Note
26

Other current liabilities

NOK thousand	2018	2017
Accounts payable	10,050	5,992
Governmental fees and tax withholdings	4,430	3,964
Other current liabilities	1,531	588
Carrying amount 31.12	16,011	10,543

Note
27

Capital adequacy and solvency

Storebrand Helseforsikring AS is an insurance company subject to the European solvency regime Solvency II.

The solvency margin and the coverage of the minimum capital requirement is the key ratios in Solvency II. Companies that fall below 100 per cent solvency margin will be put under stricter supervision, and it is forbidden to have less capital than the minimum capital requirement.

The solvency margin over is the quotient between the company's solvency margin capital at the company's solvency capital requirements. The solvency margin capital that the company arrived at by first allocating regulatory capital between four groups basis capital and a residual category of supplementary capital in line with solvency II Regulation, then applying rules for how much of each category of capital that can be used. Because Storebrand Helseforsikring AS is only financed with capital belonging to Group 1 without limitations, the company has opportunity to use all his capital in solvency margin calculations. An overview of the company's basis capital is given below.

Solvency is calculated with the standard model under Solvency II, and the distribution of the capital requirement of the different risk modules included is shown below.

SOLVENCY CAPITAL

NOK thousand	31.12.18					31.12.17	
	Total	Tier 1 Unli- mited	Tier 1 Limited	Tier 2	Tier 3	Total	
Share capital	33,000	33,000				33,000	
Share premium	122,000	122,000				122,000	
Reconciliation reserve	2,062	2,062				85,378	
Total solvency capital	157,062					240,378	
Total solvency capital available to cover the minimum capital requirement	157,062					240,378	

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

NOK thousand	2018	2017
Market	28,806	34,055
Counterparty	12,179	10,964
Health	111,466	105,855
Operational	20,567	19,547
Diversification	-26,505	-28,177
Loss Absorbing tax effect	-36,628	-35,561
Total solvency requirement	109,885	106,683
Solvencymargin	142.9 %	225.3 %
Minimum capital requirement	40,393	38,007
Minimum margin	388.8 %	632.5 %

DIFFERENCE PROVISIONS STATUARY ACCOUNTS AND SOLVENCY II BALANCE

NOK thousand	2018	2017
Technical provisions statutory accounts	347,762	324,769
Future premium payments	-156,254	-148,352
Risk margin	7,733	7,373
Expected margin in future premiums	-25,136	-29,405
Discounting	-8,463	-5,924
Technical provisions solvency II value	165,641	148,462

Future premium payments on policies in force reduces reserves for solvency, which is based on cash flows. Accounts receivable on the asset side is reduced by the same amount, so that the net assets are not affected.

Risk margin shall ensure that insurance companies can be refinanced in the case of insolvency, and are included only reserves for solvency purposes.

Expected margin in future premiums reduces premium provisions for solvency purposes, because provisions for solvency shall represent the best estimate of the value of the liability.

Future cash flows relating to technical provisions have been discounted as a requirement after Solvency II. This decreases the allocations.

Note 28 | Number of employees

	2018	2017
Number of employees at 31.12.	30	34
Average number of employees	31	35
Fulltime equivalent positions at 31.12.	30	34
Average number of fulltime equivalents	31	34

Note
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Transactions with related parties

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

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	2018					2017				
	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities	Purchase of services	Commission costs	Net reinsurance cost	Receivables	Liabilities
Munich Re			1,157		268			1,653		219
Munich Health Holding AG					65,000					39,337
Cognizant ¹⁾						6,144				
Storebrand ASA	125				65,000					39,337
Storebrand Asset Management ASA	498				42	502				
Storebrand & SPP Business Services NUF	2,708				530	485				113
Storebrand Livsforsikring AS	13,004	15,317		1,948	3,398	20,954	13,445		1,986	495
Storebrand Forsikring AS	1,295			1,681		1,375			1,590	
SPP Pension & Försäkring NUF				49		725			49	
Total	17,631	15,317	1,157	3,678	134,238	30,187	13,445	1,653	3,625	79,501

The company has invested NOK 7 100 thousand in a bond issued by Storebrand ASA (market value)

1) Cognizant was sold from the group in february 2018.

WORDS AND 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 allocations [non-life insurance]

For a more detailed description of insurance-related allocations and accrual 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.



To the General Meeting of Storebrand Helseforsikring AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Helseforsikring AS, which comprise the Statement of financial position as at 31 December 2018, the Statement of Comprehensive Income, Statement of change in equity and Statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

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 proposed allocation of the result 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, 26 March 2019
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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