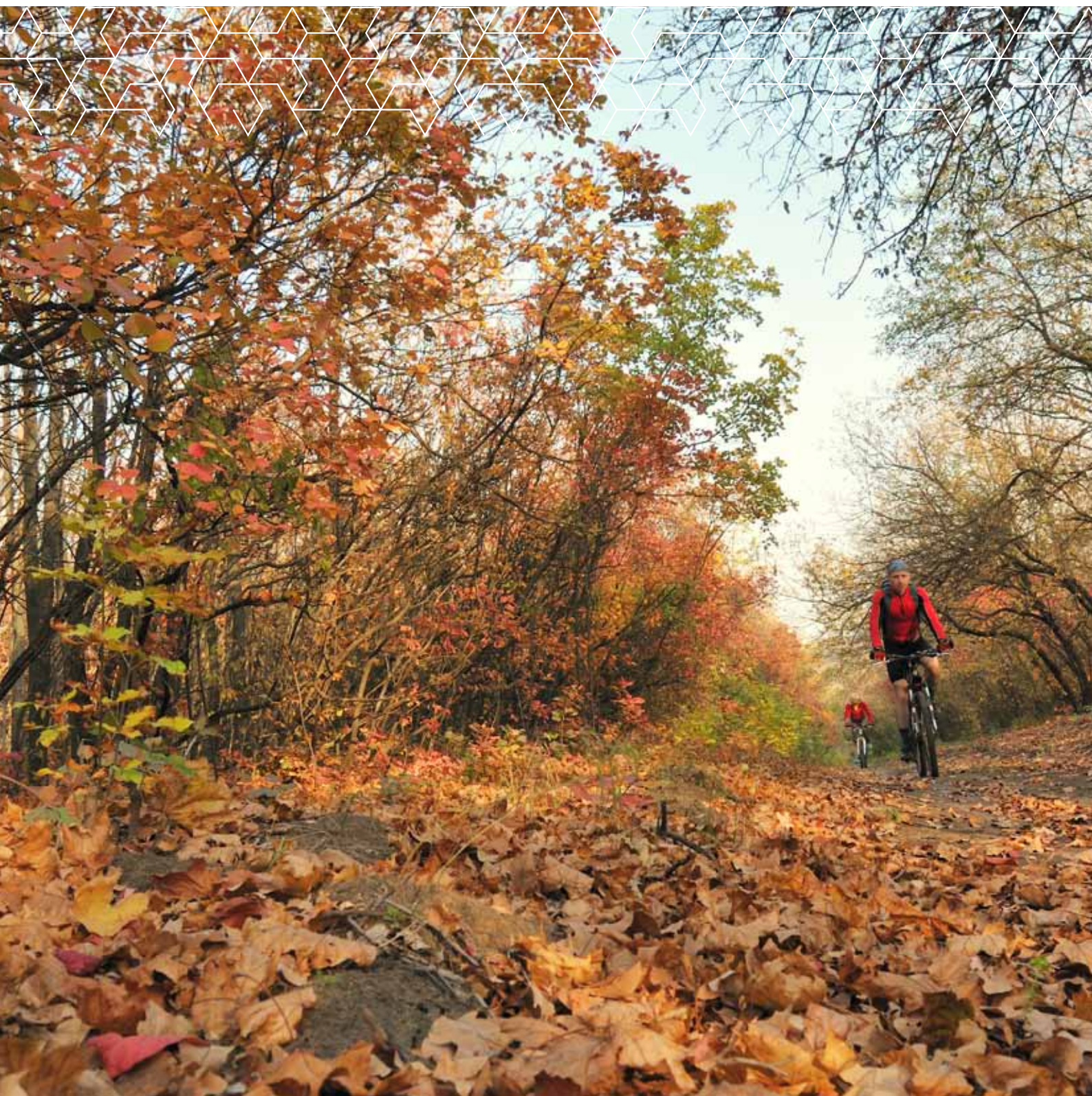


Annual report 2011

# Storebrand Helseforsikring AS

 storebrand



# Annual report 2011 Storebrand Helseforsikring AS

## About the company

Storebrand Helseforsikring AS is jointly owned (50/50) by Storebrand ASA and Deutsche Krankenversicherung AG (DKV). The company provides medical insurance in the corporate and retail markets in Norway and Sweden and has its head office at Professor Kohts vei 9, Lysaker in Bærum, Norway. It operates its business through its head office in Norway and its branch office in Sweden.

## Report on the financial statements

Storebrand Helseforsikring AS made a profit of NOK 37.3 million in 2011 compared to a profit of NOK 55.8 million in 2010.

Gross premiums due were NOK 332.0 million (300.3 million), an increase of 10.6 per cent compared to 2010. Premiums earned totalled NOK 319.0 million (294.6 million), and the cost of claims amounted to NOK 200.0 million (162.5 million) for the year. The claims ratio stood at 62.7 per cent (55.2 per cent) at year end. The main reason for the increase in the claims ratio since the previous year is the change made to the reserving method in 2010. Otherwise the claims ratio shows a normal development and reflects expectations for the year. The corporate sector has seen an increased awareness of medical insurance as one of a number of ways to actively reduce sick leave.

Insurance-related operating costs for the year were NOK 82.6 million (87.0 million). The cost ratio for the year was 26.8 per cent, a reduction of 4.8 percentage points compared to the previous year, reflecting increased efficiency in the company. As part of a programme of continuous improvement, the cost base is to be reduced further by means of increased automation of manual transactions.

Storebrand Helseforsikring achieved a financial return of 3.85 per cent on its investment portfolio and net investment income for the year was NOK 12.9 million (12.1 million). The company pursues a cautious investment strategy with most of the funds being placed in certificates of deposit, bonds and fixed income funds.

Storebrand Helseforsikring moved into a tax position in 2011, with tax costs of NOK 5.3 million.

In accordance with Norwegian accounting laws the Board confirms that the conditions for presenting accounts as a going concern are met.

To the best of the Board's belief, the financial statements for 2011 have been prepared in accordance with applicable accounting standards and the information in the accounts gives a true picture of the company's assets, liabilities, financial position and profits. The Board is not aware of any events of material importance to the financial statements for 2011 which occurred after the balance-sheet date.

## Risk

Storebrand Helseforsikring continuously monitors and actively manages the company's risk.

### Business risk

Identification and management of business risk is an integral part of the management's responsibility in the company. The organisation carries out systematic risk assessments in relation to operational risk factors, agreed goals and strategies. This analysis feeds into a comprehensive risk report, including measures to reduce risk, which is presented to and discussed by the Board each year.

### Financial risk

Storebrand Helseforsikring's securities portfolio is primarily invested in Norwegian commercial paper with a good credit rating and short time to maturity. Assessment of price risk, interest rate risk, credit risk and foreign exchange risk are central to the risk management of the securities portfolio. The company carries out regular stress tests to assess how any unusual market conditions would affect its securities portfolio. It ensures that the level of risk is reasonable at all times, in relation to the organisation's ability to bear risk, and exposure is monitored against defined limits in the company's investment strategy.

### Insurance risk

Most of the insurance risk for Storebrand Helseforsikring is tied to developments in the cost of medical treatment. To reduce this risk, agreements have been entered with the largest health services providers with which the company has working relationships. To reduce the effect of large claims the company has also taken out "excess of loss" protection. The insurance risk is assessed as low to moderate taking account of the agreements entered.

## Capital position

The company pays particular attention to the levels of equity and primary capital, which are continually and systematically optimised. There was no need for any rights issues during the year to provide sufficient capital for business operations. The Board is of the opinion that the company's equity and primary capital is satisfactory through the year and as at 31.12.2011.

The company's capital ratio is estimated at 103.2 per cent at year end and its primary capital is NOK 149.2 million. Storebrand Helseforsikring's solvency is also satisfactory and the company had a solvency margin of 286.4 per cent at 31.12.2011.

## Social responsibility

Storebrand Helseforsikring AS is included in the Storebrand group as a jointly owned company. At the operational level it is treated as if it were a group company with integrated and co-ordinated group functions. Group functions in which Storebrand Helseforsikring AS does not play an independent role are described below in the section on social responsibility and

human resources, administration and management.

The Storebrand group has had a systematic and focused corporate social responsibility programme for more than 15 years. It has long been the group's ambition to be the leading player in the Nordic countries in the area of social responsibility. Storebrand requires all its internal processes and decisions to be socially responsible and to promote sustainability. The procurement department is required to consider sustainability as one of three essential parameters. Ethics and employee satisfaction are high on HR's agenda.

#### **Ethics and trust**

Storebrand's business exists on the basis of trust, and it therefore requires its employees to conform to high ethical standards. All employees are assessed on the basis of their performance, conduct and attitude.

#### **Environmen**

Storebrand works systematically to reduce the company's impact on the environment, both in its own business activities and in its investments, procurement and asset management. It applies stringent environmental requirements to the suppliers and the companies in which it invests. Storebrand's head office is a low-emission building which uses renewable energy sources such as solar energy and district heating. The building is also certified by Miljøfyrtårn, the Norwegian 'Eco-Lighthouse' foundation.

## Human resources, organisation and management

At the end of the year the company had 46 employees, compared to 48 at the beginning of the year. Of these, 30 are employed in Norway and 16 in the Swedish branch. The percentage of women in the company is 84.8.

#### **Equal opportunity and diversity**

All Storebrand job advertisements state that we value diversity and encourage qualified candidates to apply regardless of age, sex, disability, cultural background or sexual orientation. Storebrand's working environment survey is a key means of measuring employees' experience of diversity in Storebrand Helseforsikring, as well as the importance of having this theme on the agenda.

Storebrand is committed to increasing the number of women in executive positions in the company. Employee benefits, such as flexible working hours and full salary if they, their children or their parents are ill and during pregnancy, are seen as important initiatives in the work on equal opportunities. In order to compare salaries between female and male employees, we prepare salary statistics for specified levels and types of position.

The company's management consists of one woman and four men. The company's Board consists of two women and five men. Both the Board and the management are conscious of social expectations for initiatives to promote equality in the business and on the Board.

#### **Expertise**

The common e-learning platform has increased the visibility and accessibility of the training programmes and meant that more

people are taking advantage of the various training programmes that the company provides. The group has developed training plans for various roles within Storebrand, combining skills training in all areas. A range of standard courses is also made readily available to all employees.

#### **Working environment and sick leave**

Storebrand has taken a systematic approach to combat sick leave over a number of years and has placed health and job satisfaction high on its agenda. Storebrand has been an "inclusive workplace" company since 2002 and works closely and effectively with the Norwegian labour and welfare organisation NAV. Storebrand has its own health clinic which has contributed positively to reducing sick leave within the group. Employees can work out in their own gym during working hours. The sports club has administrative responsibility for activities in the gym.

No personal injuries, material damage or accidents of note have been reported to Storebrand in 2011.

Sick leave in Storebrand Helseforsikring's operations in Norway was 4.97 per cent in 2011.

#### **Changes to the Board and management**

Board of Directors: Wolfgang Diels has been elected as Chairman of the Board in place of Idar Kreutzer, who left the Board. Ingrid Wrebo and Horst Weber have been elected as Board members in place of Dr. Wolfgang Strassl and Wolfgang Diels.

## Future development

Storebrand Helseforsikring is a prominent player on the health insurance market and has established a market-leading position in high-quality medical insurance policies. The market continues to be very competitive with increased pressure on prices and more frequent payment of claims. Storebrand Helseforsikring has a competitive advantage as a result of quality in the processing of claims, an unlimited indemnity period and a comprehensive national and international network of high-quality hospitals and agreements with specialist clinics, including proprietors with substantial sector-specific experience.

At the end of the year Storebrand Helseforsikring had a total customer base of 87,809 customers. During 2011 the most important sales channels in Norway have been the company's own distribution network, brokers and some external distributors. In Sweden the most important distribution channels are SPP, Handelsbanken and brokerage channels.

Both the retail and corporate markets for health insurance are regarded as profitable. In the future one of the main challenges will be to choose solutions that support cost-effective operation to secure profitability and further strengthen growth in volume. Storebrand Helseforsikring will address the increased competition in the market by offering products tailored to the market at the right price and quality for customers. Market growth is expected to continue at present levels in both the corporate and retail markets for health insurance.

The Board wishes to thank the company's customers and other business partners and also its employees for their excellent co-operation during 2011.

# Appropriation of profit for the year:

Storebrand Helseforsikring AS achieved a profit of NOK 37.3 million in 2011.

The profit has been allocated as follows (amounts in NOK million):

Transferred to the guarantee scheme	1.1
Transferred to/from other equity:	36.2
<hr/> Total	<hr/> 37.3

The company's available equity at 31.12.2011 was NOK 5.3 million.

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

Munich, 8 March 2012

The Board of Storebrand Helseforsikring AS



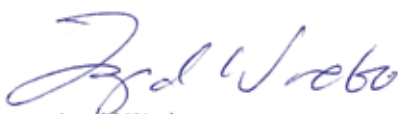
Wolfgang Diels  
Chairman



Gunnar Rogstad



Horst Weber



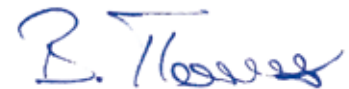
Ingrid Wrebo



Michael Runnakko



Agnete Lerdahl



Bjarke Thorøe  
CEO

# Income statement Storebrand Helseforsikring AS

1. januar - 31. desember

NOK tusen	Note	2011	2010
<b>TECHNICAL ACCOUNTS</b>			
PREMIUMS			
Gross premiums written		331,973	300,267
- Reinsurers' share		-1,762	-1,715
Gross change in reserve for unearned premiums		-11,229	-3,918
<b>Premium income for own account</b>	<b>12</b>	<b>318,983</b>	<b>294,634</b>
Allocation of investment return transferred from the non-technical accounts		4,975	5,002
CLAIMS EXPENSES			
Gross claims paid		-202,945	-172,439
- Reinsurers' share			293
Gross change in claims reserve		2,987	12,007
- Reinsurers' share			-2,334
<b>Claims expenses for own account</b>	<b>5,12</b>	<b>-199,957</b>	<b>-162,473</b>
INSURANCE RELATED OPERATING COSTS			
Sales costs		-34,498	-33,133
Insurance related administration costs		-48,109	-53,905
<b>Insurance related operating costs for own account</b>	<b>13,14,15,16,19,20</b>	<b>-82,608</b>	<b>-87,038</b>
<b>Other insurance related operating cost</b>	<b>18</b>	<b>-2,993</b>	<b>-6,200</b>
<b>Balance on the technical account before allocations to security reserve</b>		<b>38,399</b>	<b>43,925</b>
Change in fluctuation reserve	26	-3,621	8,523
<b>Technical profit</b>		<b>34,778</b>	<b>52,448</b>
<b>NON-TECHNICAL ACCOUNTS</b>			
Income from investments in group companies			
Interest and dividend etc from financial assets		11,452	8,322
Change in value on investments		2,580	-42
Realised gain and loss on investments		-1,154	3,772
<b>Net income from investments</b>	<b>11</b>	<b>12,878</b>	<b>12,052</b>
Allocation of investment return transferred to the technical accounts		-4,975	-5,002
<b>Non-technical profit</b>		<b>7,904</b>	<b>7,050</b>
<b>Profit from ordinary activities</b>		<b>42,682</b>	<b>59,498</b>
Tax	17	-5,327	
<b>Profit/loss for the year</b>		<b>37,355</b>	<b>59,498</b>
Other result elements:			
Translation differences		-89	-3,747
<b>Total comprehensive for the period</b>		<b>37,266</b>	<b>55,751</b>

# Statement of financial position Storebrand Helseforsikring AS

31. desember

NOK thousand	Note	2011	2010
<b>ASSETS</b>			
Deferred tax assets	17	4,460	
Intangible assets	18	12,515	12,842
<b>Total intangible assets</b>		<b>16,976</b>	<b>12,842</b>
FAIR VALUE FINANCIAL ASSETS			
Bonds and other securities - fixed yield	23	300,225	245,746
Financial derivatives	24	1,063	
<b>Total financial assets</b>	<b>8,9,21</b>	<b>301,288</b>	<b>245,746</b>
RECEIVABLES			
Receivables due from insurance customers		81,127	73,548
Other receivables		786	159
<b>Total receivables</b>	<b>21,22</b>	<b>81,913</b>	<b>73,707</b>
OTHER ASSETS			
Fixed assets	19	1,831	3,385
Cash and bank	8,21	36,849	38,522
<b>Total other assets</b>		<b>38,681</b>	<b>41,907</b>
Prepaid costs and accrued income		80	360
<b>Total prepaid costs and accrued income</b>		<b>80</b>	<b>360</b>
<b>Total assets</b>		<b>438,937</b>	<b>374,562</b>

# Statement of financial position Storebrand Helseforsikring AS (cont.)

31. desember

NOK thousand	Note	2011	2010
<b>EQUITY CAPITAL AND LIABILITIES</b>			
<b>PAID IN CAPITAL</b>			
Share capital		33,000	33,000
Share premium reserve		122,000	122,000
<b>Total paid in capital</b>	<b>28</b>	<b>155,000</b>	<b>155,000</b>
<b>RETAINED EARNINGS</b>			
Allocation to guarantee reserve	26	13,535	12,475
Other retained earnings		9,726	-26,480
<b>Total retained earnings</b>	<b>28</b>	<b>23,261</b>	<b>-14,005</b>
<b>GROSS INSURANCE LIABILITIES</b>			
Reserve for unearned premiums gross		132,968	121,600
Claims reserve gross	5	34,737	37,714
Fluctuation reserve		46,601	42,934
<b>Total insurance liabilities gross</b>	<b>26</b>	<b>214,306</b>	<b>202,249</b>
<b>RESERVES FOR LIABILITIES</b>			
Pension liabilities	14	17,210	15,453
Deferred tax	17/27	9,787	
<b>Total reserves for liabilities</b>		<b>26,997</b>	<b>15,453</b>
<b>DEBT</b>			
Due in respect of direct insurance		1,175	981
Other debt		3,905	2,815
Financial derivatives	9,21,24		393
Debt to connected parties	30	250	212
<b>Total debt</b>	<b>27</b>	<b>5,330</b>	<b>4,401</b>
Accrued costs and deferred income		14,043	11,464
<b>Total accrued costs and deferred income</b>	<b>27</b>	<b>14,043</b>	<b>11,464</b>
<b>Total equity capital and liabilities</b>		<b>438,937</b>	<b>374,562</b>

Munich, 8 March 2012

The Board of Storebrand Helseforsikring AS



Wolfgang Diels  
Chairman



Gunnar Rogstad



Horst Weber



Ingrid Wrebo



Michael Runnacko



Agnete Lerdahl



Bjarke Thorøe  
CEO

## Cash flow analysis Storebrand Helseforsikring AS

NOK thousand	2011	2010
<b>Cash flows from operations</b>		
Paid-in premiums gross insurance	322,825	298,522
Paid-out claims gross insurance	-202,945	-154,344
Paid-in reinsurance settlements for claims		293
Payments to other suppliers for goods and services	-54,528	-75,417
Payments to employees, pensions, employers' Nat. Ins. contributions, etc	-22,452	-35,396
Interest received	742	643
Net payments received relating to securities	-43,827	-31,446
<b>Net cash flow from operations</b>	<b>-185</b>	<b>2,854</b>
<b>Cash flows from investment activities</b>		
Net payments received/made for the purchase/sale of interest-bearing securities		
Net payments received/made for the sale/purchase of operating equipment	-1,488	-746
<b>Net cash flow from investment activities</b>	<b>-1,488</b>	<b>-746</b>
<b>Cash flows from financing activities</b>		
Payments received for the issuance of share capital		
<b>Net cash flows from financing activities</b>		
Net cash flow during the period	-1,673	2,107
Net change in cash equivalents	-1,673	2,107
Cash equivalents at the start of the period	38,522	36,415
<b>Cash equivalents at the end of the period</b>	<b>36,849</b>	<b>38,522</b>

## Changes to equity Storebrand Helseforsikring AS

NOK thousand	Share capital	Share premium reserve	Restatement differences	Admin and guarantee scheme	Other equity	Total equity
<b>Equity at 31.12.10</b>	<b>33,000</b>	<b>122,000</b>	<b>-1,029</b>	<b>22,263</b>	<b>-30,753</b>	<b>145,481</b>
Changes to the accounting policies:						
Release of administration reserve to free equity				-9,788	9,788	
Allocation to ULAE					-5,723	-5,723
Changes in claims settlement costs 2010, booked in profit and loss account					1,237	1,237
<b>Equity at 1.1.11</b>	<b>33,000</b>	<b>122,000</b>	<b>-1,029</b>	<b>12,475</b>	<b>-25,451</b>	<b>140,995</b>
Profit					37,355	37,355
Re-statement differences			-89			-89
Change in guarantee reserve				1,060	-1,060	
Share issue						
<b>Equity at 31.12.11</b>	<b>33,000</b>	<b>122,000</b>	<b>-1,118</b>	<b>13,535</b>	<b>10,843</b>	<b>178,261</b>

### Shareholders:

NOK thousand	Number of shares	Nominal value	Share capital
Storebrand ASA	16.5	1,000	16,500
Deutsche Krankenversicherung AG	16.5	1,000	16,500
<b>Total share capital</b>	<b>33</b>		<b>33,000</b>



# Notes Storebrand Helseforsikring AS

## NOTE 1 – ACCOUNTING PRINCIPLES

The annual accounts have been drawn up in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies.

### 1 - Use of estimates in preparing the financial statements

In preparing the accounts, management must make assumptions and estimates which affect the recognised 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.

### 2 - Changes to accounting principles

The Act on Insurance Activity and associated regulations was amended in 2011 to remove the requirement for an administration reserve. With effect from 1.1.2011 this will no longer appear as a separate provision in "retained earnings" but will be transferred to "other retained earnings". From the same date the claims reserve must include a separate provision for future settlement costs in respect of claims incurred but not settled. As of 1.1.2011, the provision is posted to the equity account. As a result, running settlement costs are treated as claims costs rather than operating costs. The comparative figures have been adjusted to these requirements.

### 3 - Financial instruments

#### 3.1 - General policies and definitions

##### Recognition and derecognition

Financial assets and liabilities are included in the statement of financial position from the point at which Storebrand Helseforsikring becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is first recognised in the financial statements, it is reported at fair value. Initial recognition includes transaction costs directly attributable to the acquisition or issue of the financial asset or the financial liability in cases where it is not booked at fair value via the income statement.

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

Financial liabilities are derecognised 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 amortised cost

Subsequent to initial recognition, financial liabilities which are not ascribed to fair value in the income statement are valued at amortised cost by the effective interest method.

##### Definition of fair value

Fair value is the amount for which an asset could be sold or a liability extinguished between knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets listed on a stock exchange or in another regulated marketplace in which regular trading takes place is determined as the bid price on the last day of trading up to and including the balance-sheet date.

If the market for a financial instrument is not active, fair value is determined using recognised valuation techniques. Such valuation techniques include the use of recent arm's length market transactions between knowledgeable and independent parties where available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and options pricing models. If a valuation technique is in common use by participants in the market and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method will be used.

#### 3.2 - Impairment of financial assets

For financial assets, an assessment is made at each balance-sheet date of whether there is any objective evidence that an asset or group of assets is impaired.

If there is objective evidence that impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of the estimated future income streams (excluding future credit losses that have not yet occurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate calculated at the time of initial recognition). The amount of the loss is recognised through profit and loss.

Losses expected as a result of future events, no matter how likely, are not recognised.

# Notes to the interrim report

## 3.3 - Classification and measurement of financial assets and liabilities

Financial assets are classified into one of the following categories:

- Held for trading
- At fair value through profit or loss in accordance with the fair value option
- Investments held to maturity
- Loans and receivables
- Available for sale

At fair value through profit or loss in accordance with the fair value option:

The company's financial assets are classified at fair value through profit or loss on the basis that:

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

Financial assets are valued at fair value on the balance-sheet date. Changes in their fair value are recognised in profit or loss.

## 3.4 - Financial liabilities

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

## 4 - Insurance-specific considerations

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 justifiable and must comply with the minimum requirements.

Insurance premiums are booked 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.

### 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 notified but not settled. It also covers anticipated claims associated with losses which have occurred but have not been notified by the end of the accounting period. Claims made but not paid are provided for in their entirety. A calculation of the reserve required is then undertaken for claims incurred but not reported (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.

## 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

Until 31.12.2010 Storebrand Helseforsikring had a defined benefit pension scheme for its employees in Norway. The Norwegian defined benefit scheme was closed to new members from 1.1.2011, and existing members could voluntarily choose to transfer to a defined contribution scheme.

### 6.1 - Defined benefit scheme

Pension costs and pension liabilities for defined benefit schemes are calculated using a linear accrual of pension entitlements and

# Notes to the interrim report

expected final salary as the basis for entitlement, based on assumptions about discount rates, future salary adjustments, pensions and benefits from the national insurance fund, the future return on pension assets and actuarial assumptions about mortality, disability and voluntary redundancy. As there is no active market for high-quality corporate bonds in Norway, the discount rate is determined as if it were a risk-free interest rate (government bond) taking into account the average period remaining. Net costs for the period consist of the sum of the pension rights built up during the period, interest costs on the calculated liability and the anticipated return on the pension assets.

Experience adjustments and changes in assumptions are amortised over the anticipated remaining entitlement period where they exceed 10 per cent of the greater of the pension obligations and pension assets (corridor).

The impact of changes to the pension scheme is recognised in profit and loss as incurred, unless the change is conditional on future accrual of pension entitlements. The effect is then distributed on a linear basis until the benefit is fully accrued. Employer's social security contributions are included in the pension liability and as part of the experience adjustments shown in the net result.

Storebrand Helseforsikring has both insured and uninsured pension schemes. The insured scheme in Norway is insured with Storebrand Livsforsikring AS, a member of the Storebrand group.

## 6.2 - Defined contribution scheme

In a defined contribution pension scheme the company makes an annual contribution to the employees' collective pension fund. The future pension depends on the size of the contribution and the annual return on the pension fund. The company has no further obligation associated with the employment beyond the annual contribution. No provision is made for accrued pension obligations in such schemes. Defined contribution schemes are entered directly into profit and loss.

## 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. All company cars were sold at the beginning of 2011.

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

The period and method of depreciation are reviewed annually to ensure that the method and periods used reflect the service life of the business asset. The same applies to the disposal value.

Assets are assessed for impairment if there are indications of a fall in value. Any write-downs are recognised as the difference between the value reported in the statement of financial position and the recoverable amount. The recoverable amount is the higher of fair value with deductions for costs of sale and the utility value. Whether or not any previous write-downs of non-financial assets can be reversed is assessed on every reporting date.

## 9 - Tax

The tax cost in the income statement consists of tax payable for the accounting year and changes in deferred tax. Tax is recognised in the income statement, except when it relates to items that are recognised 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 recognised 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.

## 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 total profit.

## NOTE 2 - IMPORTANT ACCOUNTING ESTIMATES AND THE EXERCISE OF DISCRETION

In preparing the company's accounts the management are required to make estimates, exercise discretion and make assumptions in relation to uncertain amounts. Estimates and valuations are continually assessed on the basis of historical experience and anticipated future events. Estimates may diverge from actual financial performance, but they are based on best judgment at the time the accounts are produced.

### 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 unnotified claims

# Notes to the interrim report

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.

## **Pensions for own employees**

The present value of pension liabilities depends on the economic and demographic assumptions used in the calculation. The assumptions used must be realistic, internally consistent and kept up to date in the sense that they should be based on uniform assumptions about future economic conditions. Pension liabilities at 31.12.2011 were calculated by actuaries. Any changes associated with the expected salary growth and the discount rate, etc., could have a significant effect on the recognised pension obligations for own employees (IAS 19).

## **NOTE 3 - RISK MANAGEMENT AND INTERNAL CONTROL**

Continuous monitoring and active management of risk are core functions in Storebrand's activities and organisation. The basis for risk management is the Board's annual handing of the strategy and planning process, incorporating the appetite for risks, risk goals and overarching risk framework for the company. Responsibility for risk management and internal control forms an integral part of management responsibility within Storebrand.

The Board must ensure that the company has appropriate systems for risk management and internal control.

In accordance with guidelines set by the Board, Managing Directors must ensure that responsible risk management and internal control are put in place, follow up risks on an ongoing basis and ensure that risks are addressed responsibly, ensure that the company's risk management and internal control are implemented, monitored and documented and also give the Board relevant and timely information about business risks, risk management and internal control.

Management at all levels have responsibility for risk, risk management and internal control within their own areas of responsibility and must continuously assess the implementation of internal controls.

Management prepares an annual internal control report which shows how the established internal controls are working. At least once a year Managing Directors must prepare a comprehensive assessment of the risk position which is presented to the Board for consideration.

Storebrand has dedicated functions to monitor risk on an ongoing basis and manages risk for different product groups separately as well as for Storebrand as a whole. Control functions for risk management, internal control and compliance are intended to assist line management in identifying, assessing, managing and controlling risk-taking. Responsibility for Storebrand's control functions for risk management and internal control lies with the CFO.

### **Compliance**

The compliance function is an advisory function which supports the Board and management in managing and monitoring risks from failure to comply with external or internal regulations relevant to the operations.

The company's compliance function has to prepare written reports for the Board and senior management about the company's compliance with internal and external regulations. Compliance reporting should be viewed in conjunction with the company's internal control, operational risk and event reporting.

### **Internal audit**

Storebrand has concluded an agreement with KPMG concerning the internal audit function. The responsible KPMG partner reports directly to the Board of Storebrand which issues the instructions for the internal audit and approves the annual audit plan. An independent assessment of the group's control function is included in the audit plan.

## **NOTE 4 – OPERATIONAL RISK**

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. This includes both risks of losses and declining profitability associated with, among other things, economic fluctuations and changes in general conditions, changes in customer behaviour, and the risk of losses resulting from inadequate or failed internal processes, control procedures, systems, human error or external events.

The company seeks to reduce operational risk through effective internal control with clear procedures, unambiguous allocation of responsibility, and documented allocation of authority. Risks are monitored by means of management's quarterly risk reviews, with documentation of risks and measures, as well as ongoing reporting, recording and monitoring of events by line management. Internal audit also carries out independent checking in accordance with audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious events in business-critical processes, and these are looked after by people with specific security responsibilities. Storebrand's control functions also include people with special responsibility for controlling operational risk.

# Notes to the interrim report

## NOTE 5 – INSURANCE RISK

Insurance risk is about protecting oneself against financial loss when events occur. Simply put, 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. This means that insurance risk to the company's own account for health insurance is at a low level.

### Developments in insurance claim payments:

NOK thousand	2006	2007	2008	2009	2010	2011	Total
<b>Calculated gross cost of claims</b>							
At end of the policy year	55,800	65,800	116,300	144,200	181,020	206,811	
- one year later	61,400	86,700	116,400	148,956	174,452		
- two years later	64,000	86,700	120,165	148,612			
- three years later	64,000	77,801	120,133				
- four years later	55,155	77,792					
- five years later	55,153						
Calculated amount 31.12							
Total disbursed to present	55,153	77,788	120,114	148,538	173,819	172,804	748,215
Claims reserve		3	19	74	633	34,007	34,737
<b>Total trend in claims disbursed</b>							<b>34,737</b>

## NOTE 6 - 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 the fixed income, foreign exchange, equity, property and commodity markets, which affect the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of assessment methods. The potential for losses in the investment portfolio is calculated on a one-year horizon and the portfolio is stress-tested with respect to statutorily defined stress tests as well as internal models.

Storebrand Helseforsikring AS has a low exposure to market risk.

### Sensitivity analyses

The asset side is stress-tested to see how far this affects performance compared to expectations for 2012. The projected effects assume an estimated normalised return through the year based on uncertain assumptions about future returns. The stress tests were applied to the investment portfolio at 31.12.2011 and the outcome shows the estimated effect on profits for the year as a whole. The stresses used were shares +/- 20 per cent and interest rates +/-150 base points.

### Change in market value

NOK thousand	2011	2010
Interest rate -1.5%	3 974	3 686
Interest rate +1.5%	-3 974	-3 686

### Effects on result/equity

NOK thousand	2011	2010
Interest rate -1.5%	3 974	3 686
Interest rate +1.5%	-3 974	-3 686

# Notes to the interrim report

## NOTE 7 - 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 months	6-12 months	1-3 years	3-5 years	> 5 years	Total	Carrying
Insurance reserves - P&C insurance <sup>1)</sup>	103,224	5,744	1,281	138		110,387	110,387
Other current liabilities	19,373					19,373	19,373
<b>Total financial liabilities 2011</b>	<b>122,597</b>	<b>5,744</b>	<b>1,281</b>	<b>138</b>		<b>129,760</b>	<b>129,760</b>

<sup>1)</sup> Including 60 per cent of premium reserve

## NOTE 8 - CREDIT RISK

Credit 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	AAA	AA	A	BBB	Other	NIG	Total
Category of issuer or guarantor	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
NOK thousand							
State and state guaranteed bonds	66,373	51,304	990				118,667
Financial and corporate bonds		5,744	126,059	47,506			179,309
Asset backed securities	1,050	326		49		97	1,523
Supranational organisations		394					394
<b>Total interest-bearing securities stated by rating</b>	<b>67,422</b>	<b>57,769</b>	<b>127,049</b>	<b>47,555</b>		<b>97</b>	<b>299,893</b>
Non interest bearing securities in bond fund managed by Storebrand						332	332
<b>Total 2011</b>	<b>67,422</b>	<b>57,769</b>	<b>127,049</b>	<b>47,555</b>		<b>429</b>	<b>300,225</b>
<b>Total 2010</b>	<b>77,596</b>	<b>45,863</b>	<b>87,357</b>	<b>34,666</b>		<b>264</b>	<b>245,746</b>

Counterparties	AA	A	Total
NOK thousand	Fair value	Fair value	Fair value
Derivatives	23	1,169	1,191
Of which derivatives in bond fund managed by Storebrand	23	106	129
Total excluding derivatives in bond fund		1,063	1,063
Bank deposit	32,606	4,244	36,849

Rating classes are based on Standard & Poor's ratings.  
NIG = Non-investment grade.

# Notes to the interrim report

## NOTE 9 - VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The company carries out a comprehensive process to ensure that the values established for financial instruments are in line with the market as far as possible. Listed financial instruments are valued on the basis of official closing prices on the exchanges obtained via Reuters and Bloomberg. Bonds are generally valued using prices obtained from Reuters and Bloomberg. Bonds not regularly quoted are normally valued in accordance with recognised theoretical models. This applies in particular to bonds denominated in Norwegian kroner. These sorts of valuations are based on discount rates consisting of swap rates plus a credit premium. The credit premium will most often be issuer-specific and normally based on a consensus of credit spreads quoted by a selected brokerage house.

An investment manager performs regular checks to ensure the quality of the market data obtained from external sources. Generally such checks involve comparing multiple sources and checking and assessing the reasonableness of abnormal changes.

The group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels reflect the differing degree of liquidity and different measuring methods. Significant market volatility during the year meant that at times significant price variations were seen between the different sources and generally bid-ask spreads were larger. This, taken on its own, increased uncertainty in valuing some classes of asset. Due to the uncertainty in the markets the investment manager has carried out a thorough assessment of all the different types of security based on the classification. It is primarily the principles used for classifying corporate bonds which it has been natural to assess in this connection. Given that in carrying out its valuation the investment manager has developed models to capture information from a broad range of well informed brokerage houses, our conclusion is nevertheless that we have been successful in removing most of the uncertainty. We point to the fact that the sources used by the investment manager effectively carry out the most important transactions on the primary and secondary markets so that the basis of valuation nevertheless gives a representative picture of the market as a whole

Level 1: Financial instruments valued on the basis of quoted prices for identical assets in active markets

This category encompasses listed shares that over the previous three months have experienced a daily average turnover equivalent to approximately NOK 20 million or more. These shares are regarded as sufficiently liquid to be included at this level. Bonds, certificates of deposit and equivalent instruments issued by sovereign states are generally classified at level 1.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1

This category encompasses financial instruments valued on the basis of market information that may be directly or indirectly observable. Market information is indirectly observable if prices can be derived from observable, related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the turnover volume is too limited to meet the criteria in level 1. Shares on this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified at this level.

Level 3: Financial instruments valued on the basis of information that is not observable as required by level 2. Shares classified at level 3 include investments in unlisted/private companies.

NOK thousand	Quoted prices	Observable assumptions	Non-observable assumptions	Total 2011	Total 2010
<b>Bonds and other fixed income securities</b>					
- State and state guaranteed bonds	53,212	61,222		114,434	118,290
- Financial and corporate bonds		178,892		178,892	123,085
- Bond funds		6,900		6,900	4,371
<b>Total bonds and other fixed income securities</b>	<b>53,212</b>	<b>247,013</b>		<b>300,225</b>	<b>245,746</b>
<b>Total bonds and other fixed income securities 2010</b>	<b>75,802</b>	<b>169,944</b>			<b>245,746</b>
<b>Derivatives:</b>					
- Currency derivatives		1,063		1,063	-393
<b>Total derivatives</b>		<b>1,063</b>		<b>1,063</b>	<b>-393</b>
<b>Total derivatives 2010</b>					<b>-393</b>

# Notes to the interrim report

## NOTE 10 - SEGMENT REPORTING

Breakdown between operations in Norway and Sweden:

NOK thousand	Norway		Sweden		Total	
	2011	2010	2011	2010	2011	2010
Premiums for own account	149,671	143,454,7	169,312	151,179	318,983	294,634
Claims for own account	-85,577	-68,234	-114,380	-94,239	-199,957	-162,473
Insurance-related operating expenses	-39,554,0	-39,417	-43,054,0	-47,620	-82,608	-87,038
Other insurance related expenses	-2,829,0	-6,200	-164,0		-2,993	-6,200
Change in security reserve	-1,166,3	-343	-2,455,0	8,866	-3,621	8,523
Net income from investments	12,574,5	12,036	303,7	16	12,878	12,052
<b>Profit before tax</b>	<b>33,119</b>	<b>41,297</b>	<b>9,562</b>	<b>18,201</b>	<b>42,682</b>	<b>59,498</b>
Assets	369,164	302,501	69,773	72,061	438,937	374,562
Liabilities	127,559	107,009	133,633	122,072	261,192	229,081

## NOTE 11 - NET INCOME FROM DIFFERENT CLASSES OF FINANCIAL INSTRUMENT

Net income and profit from financial assets at fair value where there has been a change in value through profit and loss:

NOK thousand	2011	2010
Interest bank	742	691
Interest bonds and other fixed-income securities at fair value	11,123	7,939
<b>Total interest income financial assets</b>	<b>11,865</b>	<b>8,630</b>
Revaluation bonds and other fixed-income securities at fair value	1,125	458
Revaluation derivatives	1,455	-500
<b>Total revaluation on investments</b>	<b>2,580</b>	<b>-42</b>
Profit on bonds and other fixed-income securities at fair value	-1,116	-1,131
Profits on derivatives	94	-1,575
Currency gains, derivatives		8,058
Currency gains, other	-132	-1,580
<b>Total gains and losses on financial assets</b>	<b>-1,154</b>	<b>3,772</b>
<b>Management expenditure</b>	<b>-414</b>	<b>-308</b>
<b>Net income from financial assets</b>	<b>12,878</b>	<b>12,052</b>



# Notes to the interrim report

## NOTE 12 - INSURANCE PROFIT/LOSS

NOK thousand	2011	2010
<b>Premiums that have fallen due</b>		
Gross premiums	331,973	300,267
Ceded premiums	-1,762	-1,715
<b>Premiums that have fallen due, net retention</b>	<b>330,212</b>	<b>298,552</b>
<b>Gross business</b>		
Earned premiums	320,744	296,349
Losses incurred	-199,957	-160,433
Insurance-related gross operating costs	-82,608	-87,038
<b>Technical result</b>	<b>38,180</b>	<b>48,878</b>
<b>Ceded business</b>		
Earned premiums	-1,762	-1,715
Losses incurred		-2,041
<b>Technical result</b>	<b>-1,762</b>	<b>-3,756</b>
<b>Technical result, net retention</b>	<b>36,418</b>	<b>45,122</b>
<b>Losses incurred, net retention</b>		
Incurred this year	-206,913	-162,473
Incurred in previous years	6,956	
<b>Total for the financial year</b>	<b>-199,957</b>	<b>-162,473</b>

## NOTE 13 - INSURANCE RELATED SALES AND ADMINISTRATION COSTS

NOK thousand	2011	2010
Personnel costs	6,365	8,474
Commissions	25,426	22,057
Other sales costs	2,707	2,601
<b>Total insurance-related sales costs</b>	<b>34,499</b>	<b>33,133</b>
Personell costs	15,821	18,731
Other insurance-related operating costs	32,288	35,174
<b>Total insurance-related operating costs</b>	<b>82,608</b>	<b>87,038</b>

## NOTE 14 - PENSION COSTS AND LIABILITIES

Employees at Storebrand in Norway have both defined contribution and defined benefit pension schemes with Storebrand Livsforsikring AS but the group is not a member of the AFP scheme (for early retirement). The defined benefit scheme in Norway was closed to new employees from 1 January 2011. From the same date a defined contribution pension arrangement was introduced. The defined contribution scheme applies to all new employees from 1 January 2011 and to all those who chose to transfer from the defined benefit to the defined contribution pension. For the defined contribution scheme costs are equal to the contribution for the period into the employees' pension fund which amounts to 5 per cent per annum of the contribution base between 1 and 6 G (G=base sum in the national insurance fund (Folketrygden) which was NOK 79 216 at 31.12.2011), and 8 per cent of the contribution base between 6 and 12 G. The contributions go into the employee's pension account on a monthly basis. The future pension depends on the size of the contributions and the return on the pension fund.

Employees who are members of the defined benefit pension scheme are guaranteed a pension of about 70 per cent of the pension base at the time of leaving. The full pension entitlement is attained after 30 years membership of the pension scheme. Costs for the period

# Notes to the interrim report

reflect employees' pensions rights acquired in the financial year. From 1.7.2011 the pensionable age is 67. However, there is a right to retire at 65 and receive a company pension until reaching the age of 67. For insurers, the retirement age is 65.

Pensions for employees between 65 and 67 and pensions linked to a salary above 12 G are paid by the companies directly and apply to members of the defined contribution and the defined benefit schemes. A guarantee is given for pension entitlements linked to salaries over 12 G in the case of retirement before 65. The pension conditions are set out in the statutes for the pension scheme. Storebrand is obliged to provide an occupational pension under the Act on Mandatory Occupational Pensions. The company's pension schemes meet the requirements of this Act.

## Reconciliation of pension assets and liabilities in the statement of financial position

NOK thousand	2011	2010
Present value of insured pension benefit liabilities	15,295	13,406
Pension assets as fair value	-6,724	-6,420
Net pension liability/surplus for the insured schemes	8,571	6,985
Present value of the uninsured pension liabilities	6,835	5,317
<b>Unrecognised deviations from estimates, including employers' National Insurance contributions</b>	<b>1,804</b>	<b>3,151</b>
Net pension liabilities in the statement of financial position	17,210	15,453

Provision for employment taxes are included in the gross obligation.

## Booked in the statement of financial position

NOK thousand	2011	2010
Pension assets		
Pension liabilities	17,210	15,453

## Changes in the net defined benefit pension liability in the period

NOK thousand	2011	2010
Net pension liability at 01.01.	18,723	15,487
Net pension cost recognised in the period	3,489	3,338
Interest on pension liabilities	741	671
Experience adjustments	-489	-773
Profit/loss on curtailment	-96	
Pension paid	-237	
<b>Net pension liability at 31.12.</b>	<b>22,130</b>	<b>18,723</b>

## Changes in the fair value of pension assets in the period

NOK thousand	2011	2010
Fair value of pension assets at 01.01	6,420	5,654
Expected return	285	322
Experience adjustments	-1,629	-1,436
Profit/loss on curtailment	-34	
Premium paid	1,682	1,881
<b>Net pension assets at 31.12</b>	<b>6,724</b>	<b>6,420</b>

**Expected premium payments (pension assets) in 2012: 2,023**

# Notes to the interrim report

Pension assets are based on the financial assets held by Storebrand Life Insurance composed at 31.12:

	Storebrand Life Insurance	
	2011	2010
Properties and real estate	17%	16%
Bonds at amoritsed cost	38%	26%
Secured and other lending	2%	2%
Shares and units	22%	22%
Bonds at fair value	14%	24%
Other fixed-income securities	6%	9%
Other short-term financial assets	1%	1%
<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

	2011	2010
	4,5 %	4,7 %

Net pension cost booked to profit and loss account, specified as follows

NOK thousand	2011	2010
Payments into the defined contribution plan in the period	63	I/A
Current service cost	3,489	3,603
Interest on pension liabilities	741	671
Expected return on pension assets	-285	-322
Experience adjustments	-226	-247
<b>Profit/loss on curtailment</b>	<b>-43</b>	
<b>Net pension cost booked to profit and loss account in the period</b>	<b>3,739</b>	<b>3,705</b>

Main assumptions used when calculating net pension liability at 31.12.:

	Storebrand Life Insurance	
	2011	2010
Discount rate	3.1 %	4.0 %
Expected return on pension fund assets in the period	4.6 %	4.9 %
Expected earnings growth	3.6 %	3.9 %
Expected annual increase in social security pensions	3.8 %	3.8 %
Expected annual increase in pensions in payment	1.5 %	2.0 %
Disability table	KU	KU
Mortality table	K2005	K2005

## Financial assumptions:

Financial assumptions are based on the rules in IAS 19. In particular there will be significant uncertainty in connection with long-term presumptions such as future inflation, real interest rates and real increases in wages. It is worth noting that as there is no deep and active market for high-quality corporate bonds in Norway, IAS 19 requires the interest on government bonds to be used as the discount rate. However IAS 19 does not require a deep and active market in government bonds for this interest rate to be used as the discount rate. In establishing the financial assumptions, company specific circumstances are also taken into account including anticipated growth in direct wages.

## Actuarial assumptions:

In Norway standardised assumptions regarding mortality/disability and other demographic factors are produced by Finance Norway (the Norwegian trade association for financial institutions). The mortality table K2005 will be used until new common mortality tariffs are approved for the sector which should allow more precise calculations. Average retirement frequency is 2-3 per cent for the work force as a whole, assuming a reduction in retirement at older ages.

# Notes to the interrim report

Net pension liability at 31.12.:

NOK thousand	2011	2010
Discounted current value of defined benefit pension liabilities	22,130	18,723
Fair value of pension assets	6,724	6,420
<b>Deficit/surplus</b>	<b>15,406</b>	<b>12,302</b>

## NOTE 15 – SALARY AND BENEFITS FOR EXECUTIVES

Bjarke Thorøe is the Managing Director of Storebrand Helseforsikring AS. He has received no remuneration from the company other than his ordinary salary. 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 1,050,000 (175%).

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 paid	Other benefits <sup>1)</sup>	Number of shares held <sup>2)</sup>	Pension	Discounted present value of pension <sup>5)</sup>	Loan <sup>3)</sup>	Interest rate at 31.12.11	Repayment period <sup>4)</sup>
<b>Senior employees</b>									
Bjarke Thorøe	1,460	613	148		558	3,245	3,630	2.75%/3.65%	2026/2036
<b>Total 2011</b>	<b>1,460</b>	<b>613</b>	<b>148</b>		<b>558</b>	<b>3,245</b>	<b>3,630</b>		
Total 2010	1,428	200	160		500	1,893			

1) Includes car, telephone, insurance, discounted loans and other deductible benefits.

2) The summary shows the number of shares in Storebrand ASA owned by the relevant person, their close family and companies in which they have a controlling interest, cf. RL, section 7-26.

3) Loans to executives and Board members are subject to the same terms as employee loans, i.e. up to NOK 3.5 million at 80 per cent of ordinary market interest. The conditions for granting loans to employees have changed in the course of 2011 and the limit for employee loans has been increased to NOK 3.5 million.

4) The year represents the year agreed for repayment.

5) Employees in Norway are members of Storebrand's pension scheme. The defined benefit scheme was closed to new employees from 1 January 2011. From the same date a contributory pension scheme was introduced which applies from 1 January 2011 and also to those employees who chose to transfer from the defined benefit to the defined contribution scheme. For a more detailed description of the pension schemes, see note 14.

The company has no obligations to the chairman of the Board on termination or adjustment of his office. Members of the Board and the audit committee receive no remuneration other than their fees. The company pays for directors' liability insurance for its Board members.

NOK thousand	Remuneration
Board of Directors	213
Control Committee	113
<b>Total 2011</b>	<b>325</b>
Total 2010	325

## NOTE 16 – AUDITOR'S REMUNERATION

### Remuneration paid to Deloitte AS and related companies

NOK thousand	2011			Total 2010
	Total	of this Deloitte		
		Norway	Sweden	
Statutory audit	304	212	92	398
<b>Total</b>	<b>304</b>	<b>212</b>	<b>92</b>	<b>398</b>

The amounts above is excluding vat.

# Notes to the interrim report

## NOTE 17 - TAX

The tables below itemise the differences between the reported profit/loss and the tax base for the year:

NOK thousand	2011	2010
Pre-tax profit	42,682	59,498
Permanent differences		
Dissolution of admin reserve and implementation of settlement reserve	5,302	
+/- Other permanent differences	15	30
Change in temporary differences	-1,695	-1,677
<b>Tax base for the year</b>	<b>46,304</b>	<b>57,851</b>
Loss carry forward/Used carry forward	-11,349	-57,851
<b>The year's tax basis for tax payable <sup>1)</sup></b>	<b>34,955</b>	
Tax rate	28%	28%

### Tax charge

NOK thousand	2011	2010
Payable tax <sup>1)</sup>	9,787	
Change in deferred tax	-4,460	
<b>Total tax charge</b>	<b>5,327</b>	

### <sup>1)</sup> Payable tax in the balance sheet

NOK thousand	2011	2010
Payable tax in profit and loss account	9,787	
<b>Payable tax in the balance sheet</b>	<b>9,787</b>	

### Calculation of deferred tax assets and deferred tax on temporary differences and losses carried forward

NOK thousand	2011	2010
<b>Tax increasing temporary differences</b>		
Pre-paid pensions		
Operating assets	580	679
Securities	1,817	
Insurance liabilities	13,535	12,475
<b>Total tax increasing temporary differences</b>	<b>15,932</b>	<b>13,154</b>
<b>Tax reducing temporary differences</b>		
Securities		-763
Accrued pension liabilities	-17,210	-15,453
Restatement differanses branch	-1,118	-1,029
<b>Total tax reducing temporary differences</b>	<b>-18,327</b>	<b>-17,245</b>
<b>Net deferred tax assets/deferred tax before losses carried forward</b>	<b>-2,395</b>	<b>-4,091</b>
<b>Temporary differences not eligible for deferred tax</b>	<b>-13,535</b>	<b>-12,475</b>
Losses carried forward		-11,114
Allowances carried forward		-235
Write-down of basis for deferred tax assets		27,915
<b>Net basis for deferred tax/tax assets</b>	<b>-15,930</b>	
<b>Net deferred tax asset/liability</b>	<b>-4,460</b>	

# Notes to the interrim report

## Reconciliation of expected and actual tax charge

NOK thousand	2011	2010
Ordinary pre-tax profit	42,682	59,498
Expected tax on income at nominal rate	-11,951	-16,659
Tax effect of:		
permanent differences	-4	-30
write-down of deferred tax assets	8,113	14,807
Change in technical insurance reserves posted to equity	-1,485	1,883
<b>Tax charge</b>	<b>-5,327</b>	
Effective tax rate	12%	0%

## NOTE 18 – INTANGIBLE ASSETS

NOK thousand	IT- systems	2011	2010
Acquisition cost 01.01	43,537	43,537	41,938
Additions in the period:			
Purchased separately	2,503	2,503	1,599
<b>Acquisition cost 31.12</b>	<b>46,039</b>	<b>46,039</b>	<b>43,537</b>
Accumulated depreciation & write-downs 01.01	-30,695	-30,695	-24,495
Amortisation in the period	-2,829	-2,829	-6,200
<b>Accumulated depreciation &amp; write-downs 31.12</b>	<b>-33,524</b>	<b>-33,524</b>	<b>-30,695</b>
<b>Carrying amount 31.12</b>	<b>12,515</b>	<b>12,515</b>	<b>12,842</b>

The company's insurance system is regarded as an intangible asset which has a remaining service life until 2015.

## NOTE 19 – TANGIBLE FIXED ASSETS

NOK thousand	Equipment	Vehicles	Fixtures & fittings	2011	2010
Carrying amount 01.01	484	1,033	1,868	3,385	1,494
Additions	1			1	2,944
Disposals		-1,014		-1,014	-435
Depreciation	-156	-18	-366	-539	-619
Currency diffs. from converting foreign units			-1	-1	
<b>Carrying amount 31.12</b>	<b>329</b>	<b>0</b>	<b>1,501</b>	<b>1,831</b>	<b>3,385</b>
Acquisition cost opening balance	683	1,300	2,140	4,122	2,112
Acquisition cost closing balance	684	0	2,140	2,825	4,644
Accumulated depreciation and write-downs opening balance	199	266	271	736	618
Accumulated depreciation and write-downs closing balance	355	0	638	993	1,259

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

# Notes to the interrim report

## NOTE 20 – OPERATIONAL LEASES FOR OPERATING EQUIPMENT

Minimum future payments on operational leases for fixed assets are as follows:

NOK thousand	Minimum lease payment <1 year	Minimum lease payment 1-5 years	Minimum lease payment >5 years
Lease < 1 year	87		
Lease 1 - 5 years	187	225	
Lease > 5 years	1,815	7,262	10,343
<b>Total</b>	<b>2,090</b>	<b>7,487</b>	<b>10,343</b>

### Amount through profit and loss account

NOK thousand	2011	2010
Lease payments through profit and loss account	3,049	2,941

The leasing contracts mainly cover the rental agreement for Storebrand's head office at Lysaker, rent of DKV's premises in Stockholm, and lease of coffee machines and photocopiers.

## NOTE 21 – CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

NOK thousand	Loans and receivables	Fair value	Liabilities at amortised cost	Total
<b>Financial assets</b>				
Bank deposits	36,849			36,849
Bonds and other fixed-income securities		300,225		300,225
Accounts receivable and other short-term receivables	81,993			81,993
Derivatives		1,063		1,063
<b>Total financial assets 2011</b>	<b>118,842</b>	<b>301,288</b>		<b>420,130</b>
<b>Total financial assets 2010</b>	<b>112,589</b>	<b>245,746</b>		<b>358,335</b>
<b>Financial liabilities</b>				
Other current liabilities			19,373	19,373
<b>Total financial liabilities 2011</b>			<b>19,373</b>	<b>19,373</b>
<b>Total financial liabilities 2010</b>		<b>393</b>	<b>15,472</b>	<b>15,865</b>

## NOTE 22 – CUSTOMER RECEIVABLES AND OTHER SHORT TERM RECEIVABLES

NOK thousand	2011	2010
Accounts receivable	81,127	73,548
Pre-paid commissions	80	360
Other current receivables	786	159
<b>Carrying amount 31.12</b>	<b>81,993</b>	<b>74,067</b>

# Notes to the interrim report

## Age distribution for accounts receivable, etc 31.12 (gross)

NOK thousand	2011	2010
Receivables not fallen due	79,391	71,349
Past due 1 - 30 days	1,736	2,199
Past due 31 - 60 days		
Past due 61 - 90 days		
Past due > 90 days		
<b>Gross accounts receivable/receivables from reinsurance</b>	<b>81,127</b>	<b>73,548</b>
Provisions for losses 31.12		
<b>Net accounts receivable/receivables from reinsurance</b>	<b>81,127</b>	<b>73,548</b>

## NOTE 23 – BONDS AND OTHER SECURITIES WITH FIXED RETURN

NOK thousand	2011		2010
	Acquisition cost	Fair value	Fair value
State and state guaranteed bonds	111,932	114,434	118,299
Financial and corporate bonds	175,931	178,892	123,076
Bond funds	7,181	6,900	4,371
<b>Total bonds and other fixed-income securities</b>	<b>295,045</b>	<b>300,225</b>	<b>245,746</b>
Modified duration		0.90	1.21
Average effective yield		2.81	2.94

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 24 – DERIVATIVES

### Nominal volume

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.

NOK thousand	Gross nominal volume <sup>1)</sup>	Average nominal volume <sup>2)</sup>	Net nominal volume <sup>1)</sup>	Fair value <sup>1)</sup>	
				Assets	Liabilities
Currency derivatives	52,233	62,223	52,233	1,063	
<b>Total derivatives 2011</b>	<b>52,233</b>	<b>62,223</b>	<b>52,233</b>	<b>1,063</b>	
Total derivatives 2010	89,918	91,234	89,918		393

The above table includes net positions in indirect investments.

<sup>1)</sup> Values 31.12.

<sup>2)</sup> Average for the year.



# Notes to the interrim report

## NOTE 25 – CURRENCY EXPOSURE

Financial assets and liabilities in foreign currencies	Balance sheet items excl. Currency derivatives	Currency forwards	Net position	
			in currency	in NOK
NOK thousand	Net on balance sheet	Net sales		
AUD	5	-5		3
CAD	48	-48		2
DKK	9	-6	3	3
EUR	346	-332	14	111
GBP	37	-37		4
JPY	30,645	-30,443	202	16
SEK	-70,944	59,777	-11,166	-9,726
USD	236	-234	2	12
<b>Total net position foreign currency 2011</b>				<b>-9,575</b>
<b>Total net position foreign currency 2010</b>				<b>27,865</b>

## NOTE 26 – TECHNICAL INSURANCE RESERVES

NOK thousand	2011	2010
<b>Gross insurance liabilities</b>		
<b>Balance 01.01</b>	202,249	204,603
Change in premium and claims reserves	8,242	-6,852
Change in security reserve	3,621	-8,523
Exchange rate changes	194	8,535
Change in accounting policy - claims reserve		4,486
<b>Balance 31.12.</b>	<b>214,306</b>	<b>202,249</b>

### Assets and liabilities - P&C insurance:

NOK thousand	2011	2010
Receivables concerning insurance contracts	81,127	73,548
<b>Total assets</b>	<b>81,127</b>	<b>73,548</b>
Premium reserve	132,968	121,600
Claims reserve	34,737	37,714
- of which RBNS	16,710	15,947
- of which IBNR	13,895	17,281
- of which settlement costs	4,132	4,486
Security reserve	46,601	42,934
Liabilities concerning insurance contracts	1,175	981
<b>Total liabilities</b>	<b>215,481</b>	<b>203,229</b>

# Notes to the interrim report

## Technical insurance reserves - P&C insurance:

NOK thousand	2011	2010
Non-earned gross premiums	<b>132,968</b>	<b>121,600</b>
<i>The Norwegian FSA's minimum requirement</i>	132,968	121,600
Gross claims reserves	34,737	37,714
<i>The Norwegian FSA's minimum requirement</i>	31,982	34,605
Security reserve	46,601	42,934
<i>The Norwegian FSA's minimum requirement</i>	45,562	42,934

## Technical insurance reserves classified as other equity:

NOK thousand	2011	2010
Provision for guarantee scheme	13,535	12,475
<i>The Norwegian FSA's minimum requirement</i>	13,535	12,475

## NOTE 27 – CURRENT LIABILITIES

NOK thousand	2011	2010
Accounts payable	1,608	1,433
Accrued expenses/appropriations	14,043	10,809
Governmental fees and tax withholding	1,941	1,198
Liabilities in connection with direct insurance	1,175	981
Liabilities in connection with reinsurance		212
Period tax liabilities	9,787	
Other current liabilities	606	839
<b>Carrying amount 31.12</b>	<b>29,161</b>	<b>15,472</b>

## NOTE 28 – CAPITAL ADEQUACY AND SOLVENCY

### Specification of the capital adequacy:

NOK thousand	2011	2010
Share capital	33,000	33,000
Share premium account	122,000	122,000
Annen bundet og fri egenkapital	9,726	-31,783
Other equity	164,726	123,217
Intangible assets	-16,976	-12,842
Net primary capital	147,750	110,375
<b>Calculation base by class of risk weighting</b>	<b>421,354</b>	<b>361,719</b>
Risk weight 0%	64,758	75,811
Risk weight 10%		4,371
Risk weight 20%	265,417	204,085
Risk weight 50%	80	360
Risk weight 100%	91,099	77,092
Weighted assets in the balance sheet	144,222	118,526
Weighted interest rate and FX contracts	317	180
Risk weighted calculation base	144,539	118,706
<b>Capital adequacy ratio</b>	<b>102.2%</b>	<b>93.0%</b>

# Notes to the interrim report

## Solvency margin

NOK thousand	2011	2010
Solvency margin demand	59,636	53,318
Solvency margin capital	169,293	129,695
<b>Solvency margin</b>	<b>283.9%</b>	<b>243.2%</b>

## Specification of solvency margin capital

NOK thousand	2011	2010
Net primary capital	147,750	110,375
Counting security reserve	21,542	19,320
<b>Solvency capital</b>	<b>169,292</b>	<b>129,695</b>

## NOTE 29 – NUMBER OF EMPLOYEES

	2011	2010
Number of employees at 31.12.	46	48
Average number of employees	47	54
Fulltime equivalent positions at 31.12.	45	46
Average number of fulltime equivalents	46	52

## NOTE 30 – TRANSACTIONS WITH CLOSE ASSOCIATES

Storebrand Helseforsikring is a joint venture company owned by Storebrand ASA (50%) and Deutsche Krankenversicherung AG (50%).

Transactions with close associates 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 14.

NOK thousand	2011				2010			
	Purchase of services	Commission costs	Receivables	Liabilities	Purchase of services	Commission costs	Receivables	Liabilities
Munich Re	9			250				212
Storebrand ASA					143			
Storebrand Baltic	2,793			300				
Storebrand Bank		6		2		8		5
Storebrand Finansiell Rågivning AS		2,661		254				213
Storebrand Livsforsikring AS	12,204	6,116	1,429	5,242	13,460	6,210	1,223	1,186
Storebrand Forsikring AS	1,644				2,011			
Storebrand Kapitalforvaltning AS					730			
Storebrand Pensjonstjenester AS	12	662			0	168		
<b>Sum</b>	<b>16,663</b>	<b>9,446</b>	<b>1,429</b>	<b>6,048</b>	<b>16,343</b>	<b>6,386</b>	<b>1,223</b>	<b>1,616</b>

# Words and expressions

## **Insurance profit/loss**

Premium income less cost of claims and operating costs.

## **Risk profit/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.

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 balance sheet as at December 31, 2011, and the income statement, showing a profit of tnok 37.266, statement of changes 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's 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, 2011, 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 and the allocation of the profit*

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 and the going concern assumption, and the proposal for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

*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, 8 March 2012  
Deloitte AS

Ingebret G. Hisdal  
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

**Storebrand Helseforsikring AS**  
**CONTROL COMMITTEE'S STATEMENT – 2011**

At its meeting on 29 March 2012, the Control Committee of Storebrand Helseforsikring AS has reviewed the Board of Director's proposed Annual Report and Account for 2011 of Storebrand Helseforsikring AS.

With references to the auditor's report of 8 march 2012 the Control Committee recommends that the Annual Reports and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Helseforsikring AS for 2011.

Oslo, 29 March 2012

*Translation – not to be signed*

Kim Dobrowen  
Chairman of the Control Committee

**Storebrand Helseforsikring AS**

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