

INSR INSURANCE GROUP ASA

INTERIM REPORT THIRD QUARTER
2016

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HIGHLIGHTS

- Third quarter loss from operations at NOK 59.1 million, including negative non-recurring items of NOK 59.5 million
- Solvency ratio at 172%, well above regulatory requirement
- Cost cutting measures proceeding according to schedule
- Pricing measures and portfolio pruning progressing as planned
- Name changed to Insr Insurance Group ASA, reflecting transformation to wholesale insurer with selective distribution set-up

CONSOLIDATED KEY FIGURES

<i>MNOK except otherwise stated</i>	Q3 2016	Q3 2015 ¹	YTD 2016	YTD 2015 ¹	FY 2015 ¹
Financial					
Gross premiums written	134.6	168.6	546.7	600.8	846.9
Gross premiums earned	201.8	201.5	615.7	569.6	751.7
Premiums earned f.o.a.	43.8	53.9	168.3	154.8	209.9
Gross claims incurred	-160.4	-270.3	-527.6	-549.9	-683.5
Claims incurred f.o.a.	-40.7	-52.8	-139.3	-136.7	-189.7
Technical result	-60.5	-7.5	-122.2	-100.6	-198.0
Profit/loss from operations	-59.1	-17.8	17.7	-138.7	-276.8
Basic earnings per share (NOK)	-0.13	-0.04	0.04	-0.72	-1.11
Basic average number of shares	447 867 000	412 787 000	447 867 000	192 441 000	248 721 000
Operational²					
Gross loss ratio	79.5 %	134.1 %	85.7 %	96.5 %	90.9 %
Gross cost ratio	42.6 %	26.7 %	38.1 %	40.4 %	48.0 %
Gross combined ratio	122.0 %	160.9 %	123.8 %	136.9 %	138.9 %
Loss ratio f.o.a.	93.0 %	97.9 %	82.8 %	88.3 %	90.4 %
Cost ratio f.o.a.	146.6 %	22.5 %	91.1 %	80.9 %	106.9 %
Combined ratio f.o.a.	239.6 %	120.4 %	173.9 %	169.2 %	197.3 %
Other²					
Solvency ratio	172 %				

1) Numbers have been restated and are excluding Sweden.

2) See glossary for definitions.

Restructuring program on track, earnings impacted by non-recurring items

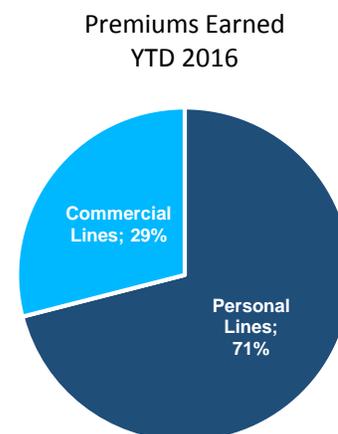
Execution of the restructuring program continued according to plan during the third quarter, with focus on staff reduction, pricing measures and portfolio pruning. Non-recurring items related to the ongoing turnaround process had a significant negative impact on third quarter earnings as expected. Management remains committed to identifying and implementing further measures going forward, aiming at restoring profitability and establishing a sustainable business platform. The restructuring program is expected to generate substantial savings in 2017, however the frontloaded negative impact on earnings will continue through 2016. The Board of Directors maintain the target of a solvency ratio above 130% through 2017.

Group performance

(Figures in brackets = same period prior year unless otherwise stated)

Premium income

<i>MNOK</i>	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Gross premiums written	134.6	168.6	546.7	600.8
Norway	120.9	156.0	503.0	564.4
Denmark	13.7	12.6	43.8	36.4
Gross premiums earned	201.8	201.5	615.7	569.6
Norway	188.8	189.2	577.5	547.1
Denmark	13.0	12.3	38.2	22.5
Premiums earned f.o.a.	43.8	53.9	168.3	154.8
Portfolio	788.3	782.3		
Norway	736.2	741.0		
Denmark	52.1	41.3		



Third quarter 2016

Gross premiums written for Insr Insurance Group ASA (Insr) declined to NOK 134.6 million (NOK 168.6 million) during the third quarter, due to a planned reduction in Norwegian sales activities. Written premiums in Denmark increased slightly.

The share of personal line premiums rose to 76% (71%), following efforts to reduce group exposure towards less profitable commercial customers. More than half of the premiums written during the quarter were provided by the internal distribution companies in Norway and Denmark, with the residual provided by external agents.

Gross premium earned came to NOK 201.8 million (NOK 201.5 million) during the third quarter, while premium earned for own account amounted to NOK 43.8 million (NOK 53.9 million).

The decline in written and earned premiums reflected a shift in strategic focus, aiming at restoring profitability and establishing a competitive business model. Management continued to resolve and implement measures to streamline the organization, reduce layers of management and increase managerial spans of responsibility during the third quarter.

Closure of the sales offices in Molde and Sortland in addition to headcount reduction at the Porsgrunn sales office earlier this year, resulted in lower sales capacity compared with the same quarter last year. During the third quarter, revised customer targeting and pricing measures were introduced, involving less use of discounts and stronger sales efforts towards customers with a more favourable risk profile. Having an initial negative impact on new sales, these initiatives are expected to gradually improve profitability.

The portfolio as of 30 September 2016 amounted to NOK 788.3 million (NOK 782.3 million), consisting of 74% (70%) personal line and 26% (30%) commercial line premiums. The shift to more personal lines business reflects the ongoing pruning of selected segments of the commercial book. The company changed its principles for portfolio assessment as of 30 September 2016 related to the affinity business. This had a negative impact of NOK 64.7 million (NOK 47.8 million) on the portfolio. Historical figures have been restated accordingly.

Year to date 2016

Gross premiums written for the first nine months of 2016 amounted to NOK 546.7 million (NOK 600.8 million). Gross premiums earned came to NOK 615.7 million (NOK 569.6 million) and premiums earned for own account amounted to NOK 168.3 million (NOK 154.8 million). The decline in written and gross earned premiums was attributable to the strategic shift described above. Premiums earned for own account increased year-on-year as a time lag reflecting the growth in portfolio in earlier years.

Results

Third quarter 2016

Gross claims incurred declined to NOK 160.4 million (NOK 270.3 million) during the third quarter, corresponding to a gross loss ratio of 79% (134%). Claims incurred for own account came to NOK 40.7 million (NOK 52.8 million), corresponding to a loss ratio for own account of 93% (98%). The favorable development in claims reflects maturation of the insurance portfolio and lower risk exposure in both the private line and commercial line segments, following a decline in high-risk policies such as large wooden residences, pubs and restaurants.

Total operating expenses for own account came to NOK 64.2 million (NOK 12.1 million). The group recorded NOK 21.1 million in one-off expenses during the third quarter, primarily related to execution of the group's restructuring program. Initial expenses related to ongoing cost cutting initiatives also impacted operating expenses.

The company initiated a comprehensive operational improvement program during the first quarter of 2016, targeting a reduction of annual group operating expenses to NOK 175 million in 2018. The change of IT-vendor will be effective as of year-end 2016. The acquisition of Vardia Norge enabled the company to restructure distribution. During the third quarter, the company completed significant reduction of distribution overhead as well as closure of the Sortland office. In addition, the company has initiated the process to close the Hamar office and terminate call center activities related to outbound sales. These tasks will be completed during the fourth quarter of 2016.

Gross combined ratio was 122% (161%) during the third quarter. Combined ratio for own account increased to 240% (120%), following a change in estimated earned commission from reinsurers, as well as recalibration of the share of claims ceded to reinsurers, having full effect in the third quarter.

Technical result for the quarter was a loss of NOK 60.5 million (loss of NOK 7.5 million). Several non-recurring items, amounting to negative NOK 59.5 million, impacted this result. These items split into NOK 21.1 million in one-offs related to the restructuring process, NOK 13.8 million related to adjustment of previously reduced reinsurance commission rate, NOK 16.9 million related to adjustment of recorded reinsurance share, NOK 1.5 million due to corrected net claims handling cost and NOK 6.2 million related to closure of the Sortland office.

Total financial income for the quarter was negative NOK 0.01 million (negative NOK 5.4 million).

Loss from operations for the quarter was NOK 59.1 million (loss of NOK 17.8 million), largely impacted by expenses related to the ongoing restructuring process.

Year to date

Technical result for the first nine months of 2016 was a loss of NOK 122.2 million (loss of NOK 100.6 million). The decline is mainly due to restructuring costs, such as legal and transaction costs, as well as severance pay. Profit from operations was NOK 17.7 million (loss of NOK 138.7 million), due to gains related to the sale of the Swedish portfolio.

Financial position and liquidity

Consolidated cash flow

Third quarter 2016

Cash flow from operating activities was negative NOK 8.4 million (negative NOK 102.7 million), largely driven by a reduction in paid claims and significant restructuring expenses recorded during the quarter. Cash used for investment activities was NOK 2.4 million (NOK 1.9 million), primarily related to IT investments. Cash flows from financing activities amounted to NOK 0.3 million (NOK 73.9 million), reflecting a low level of return from the investments in bonds during the quarter.

The group recorded cash and cash equivalents of NOK 209.8 million as of 30 September 2016 (NOK 347.2 million).

Year to date 2016

Cash flow from operations was negative NOK 98.4 million, mainly due to negative results and restructuring expenses during the year. In addition, the repurchase of the distribution companies had a negative impact on the group's cash flow. Cash used for investment activities amounted to NOK 10.7 million. Cash flow from financial activities amounted to NOK 2.4 million, related to investments in bonds.

Discontinued operations had a negative impact on cash holdings compared with 30 June 2016 amounting to NOK 19.7 million.

Consolidated financial position and solvency capital

As of 30 September 2016, total assets amounted to NOK 1 437.9 (NOK 2 107.2 million). Total equity amounted to NOK 121.4 million (NOK 192.9 million).

The solvency ratio at the end of the quarter was 172% (196% as of 30 June 2016), significantly above the minimum regulatory requirement of 100%. Solvency capital requirement as of 30 September 2016 was stable at NOK 131 million.

Strategic update

Management has previously announced a comprehensive restructuring of the company to be undertaken during the second half of 2016 and early 2017, in order to restore profitability and establish a sustainable business platform. The restructuring is a two-phased process.

The first phase started with the sale of the Swedish portfolio and the acquisition of the Norwegian distribution company at the end of the second quarter 2016. This created a significantly improved solvency ratio, enabling the company to absorb initial losses and the necessary time to execute the restructuring. Furthermore, control over the entire value chain enabled management to implement significant cost reduction measures, establish improved execution capabilities, and in general exert better control over all core business processes.

The organization has been simplified, establishing one management team. Outbound call centers have been closed and local sites has been reduced from four (Sortland, Hamar, Molde, Porsgrunn) to one (Porsgrunn). In Oslo, the claims handling team has been co-located with the corporate headquarter, in order to further reduce complexity and streamline operations.

With a new organization, operational efficiencies and execution skills are expected to improve significantly during the next few quarters. However, the program will have an initial negative impact on earnings, before generating attractive returns.

The second phase of the restructuring implies the establishment of a new business model for Insr. The plan is to establish Insr as a wholesale insurer, offering underwriting capabilities and capacity in addition to claims handling for a wide range of distribution partners. The establishment of a carefully selected distribution set-up will create better cost control and an improved service concept for partners. There is an increasing demand by organizations wishing to offer insurance solutions to their customers, without having to meet all the demands of a regulated insurance company. Insr will develop partnering concepts and technological capabilities to facilitate such a development. The initial response from potential wholesale customers is encouraging. As an example, Tribe Venneforsikring (tribe.no) has recently entered into a partnering contract with Insr.

Insr will continue to own the Vardia brand, and will continue to market the brand towards the retail segment.

Subsequent Events

The extraordinary general meeting of Vardia Insurance Group held on 17 October resolved to change the name of the group from Vardia Insurance Group to Insr Insurance Group, supporting the objective of transforming to a wholesale insurer and enhanced focus towards the white label market segment.

The meeting elected Ulf Spång to the Board of Directors. Ulf Spång is a Swedish citizen formerly partner at Ernst & Young and CFO at Skandia. The meeting also elected Karl Høie as a member of the election committee, and at the same time, he stepped down from the Board of Directors. A reverse split of the company shares was also resolved by the meeting, with the ratio of 10:1. Following effectuation of the reverse split, the company has a registered share capital of NOK 35 829 359.20, divided into 44 786 699 shares, each with a nominal value of NOK 0.8.

The executive management team has been strengthened further by the appointment of Ingvild Gråberg as Executive Vice President for the recently established shared services function.

Ms. Gråberg has extensive experience from the insurance industry, most recently as head of the Norwegian Broadspire division of Crawford & Company. She joined the group on 1 November.

Outlook

Based on the current macro-economic conditions, there is reason to expect stable overall demand for general insurance products in Norway and Denmark in the short and medium term. The competitive landscape in Norway is characterized by high concentration of market shares, with large single brand players covering the full value chain. Favorable market dynamics and trends, with rising demand for tailored products, provide attractive opportunities for Insr as a flexible and agile challenger.

General inflationary pressure in Norway following depreciation of the Norwegian Krone, is still expected to have a negative impact on claims expenses for the insurance industry.

Insr will remain committed to execute restructuring measures. Reduction of head counts, particularly related to distribution, will have a negative impact on sales activities. However, gradually reduced internal distribution will be replaced by external distribution, providing the opportunity for disciplined growth.

The ongoing turnaround process is progressing according to schedule, and is expected to generate significant savings, as well as increased profitability in 2017. The initial impact on expenses, primarily in 2016, will be negative, and the effect of pricing actions will be gradually more visible throughout 2017. Fourth quarter 2016 earnings will be materially impacted by non-recurring restructuring costs.

Insr Insurance Group ASA complies with statutory solvency requirements, reporting a solvency ratio of 172% as of 30 September 2016. The Board of Directors maintains the target of a solvency ratio above 130% through 2017.

Oslo, 8 November 2016

The Board of Directors
Insr Insurance Group ASA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Insr Insurance Group							(NOK 1,000)
Consolidated Income Statement							
	Note	Q3 2016	Q3 2015 ¹	30.09.2016	30.09.2015 ¹	31.12.2015 ¹	
Premium income	2						
Gross premiums earned		201 814	201 538	615 686	569 556	751 666	
Reinsurance share		-158 018	-147 592	-447 338	-414 745	-541 774	
Premiums earned for own account		43 796	53 946	168 348	154 811	209 892	
Other insurance-related income		589	3 477	2 095	6 638	6 207	
Claims	2						
Gross claims incurred		-160 370	-270 322	-527 571	-549 854	-683 538	
Reinsurance share of gross claims incurred		119 645	217 498	388 246	413 109	493 816	
Claims incurred for own account		-40 725	-52 823	-139 325	-136 744	-189 722	
Operating expenses							
Sales costs		-51 308	-46 150	-127 728	-163 667	-269 216	
Insurance-related administration costs		-34 612	-7 734	-106 857	-66 311	-91 441	
Commission received		21 720	41 756	81 236	104 722	136 282	
Total operating expenses for own account		-64 200	-12 128	-153 349	-125 256	-224 375	
Technical result		-60 539	-7 528	-122 230	-100 551	-197 998	
Net financial income							
Interest income and dividends etc. on financial assets		-14	-5 413	2 430	-3 109	1 080	
Total financial income		-14	-5 413	2 430	-3 109	1 080	
Other income		0	0	0	0	964	
Other expenses		0	0	0	0	-4 997	
Non-technical result		-14	-5 413	2 430	-3 109	-2 953	
Profit before tax		-60 553	-12 941	-119 800	-103 660	-200 951	
Tax		0	0	0	0	3 383	
Profit before components of comprehensive income	5	-60 553	-12 941	-119 800	-103 660	-197 568	
Other income and expenses							
Exchange rate differences		1 498	-3 374	1 360	-3 801	-2 406	
Total other income and expenses		1 498	-3 374	1 360	-3 801	-2 406	
Profit from continued operations		-59 055	-16 315	-118 440	-107 461	-199 974	
Profit from discontinued operations		0	-1 463	136 130	-31 249	-76 799	
Profit/ loss from operations		-59 055	-17 778	17 690	-138 710	-276 773	

Insr Insurance Group				
Consolidated Statement of Financial Position		(NOK 1,000)		
	Note	30.09.2016	30.09.2015	31.12.2015
ASSETS				
Intangible assets				
Goodwill		78 507	54 137	54 137
Other intangible assets	4	67 624	64 257	72 898
Total intangible assets		146 131	118 394	127 035
Investments				
Investments in shares and parts		513	0	0
Bonds and other fixed-income securities	6	153 446	248 939	189 999
Total investments		153 958	248 939	189 999
Reinsurance share of gross technical provisions				
Reinsurance share of gross premium provisions		268 357	525 449	559 017
Reinsurance share of gross claims provisions		347 809	455 712	551 676
Total reinsurance share of gross technical provisions		643 166	981 161	1 110 693
Receivables				
Receivables in connection with direct insurance and reinsurance		263 369	481 951	525 995
Other receivables		83 404	54 217	67 067
Total receivables		346 773	536 168	593 062
Other assets				
Plant and equipment		4 177	4 625	4 288
Cash and cash equivalents		56 387	98 258	126 508
Total other assets		60 564	102 883	130 796
Prepaid expenses and earned income not received				
Prepaid costs and earned income not received		87 327	119 685	41 484
Total prepaid expenses and earned income not received		87 327	119 685	41 484
Total assets		1 437 919	2 107 230	2 193 069

Consolidated Statement of Financial Position				(NOK 1,000)
	Note	30.09.2016	30.09.2015	31.12.2015
EQUITY AND LIABILITIES				
Paid-in equity				
Share capital		35 829	32 579	35 829
Share premium		907 334	862 674	907 333
Other paid-in-equity		6 937	2 541	4 081
Total paid-in equity		950 100	897 794	947 243
Provision for Guarantee scheme		20 210	12 471	14 435
Other equity		-848 897	-717 345	-858 108
Total equity	3	121 413	192 920	103 570
Subordinated loan		73 959	73 903	73 931
Technical provisions				
Gross premium reserve		364 121	703 585	752 792
Gross claims reserve		486 765	592 448	704 515
Total technical provisions		850 886	1 296 033	1 457 307
Provisions for other risks and liabilities				
Pension liabilities		0	8 019	0
Total provisions for other risks and liabilities		0	8 019	0
Financial liabilities				
Other liabilities		52 035	66 904	58 988
Tax payable		7 350	0	0
Liabilities in connection with direct insurance and reinsurance		190 637	335 813	345 319
Total financial liabilities		250 022	402 717	404 307
Accrued costs and received unearned income		141 639	133 639	153 954
Total liabilities		1 316 506	1 914 311	2 089 499
Total equity and liabilities		1 437 919	2 107 230	2 193 069

Insr Insurance Group					
Consolidated statement of cash flow					
	(NOK 1,000)				
	Q3 2016	Q3 2015	30.09.2016	30.09.2015	31.12.2015
Net cash flow from operational activities	-8 362	-102 684	-98 440	-243 337	-304 099
Net cash flow from investment activities	-2 354	-1 909	-10 677	-13 889	-26 447
Net cash flow from financial activities	325	73 875	2 444	419 446	462 076
Net change in cash and cash equivalents	-10 391	-30 718	-106 674	162 220	131 530
Hereof discontinued operations	-	-9 536	-19 756	24 897	33 443
Cash and cash equivalents at the beginning of the period	220 224	377 915	316 507	184 977	184 977
Cash and cash equivalents at the end of the period	209 833	347 197	209 833	347 197	316 507
Net cash flow for the period	-10 391	-30 718	-106 674	162 220	131 530
Specification of cash and cash equivalents					
Cash in bank and liquidity funds	209 833	347 197	209 833	347 197	316 507
Total cash and cash equivalents	209 833	347 197	209 833	347 197	316 507

Insr Insurance Group							
Consolidated statement of changes in equity							(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural perils fund	Guarantee scheme	Total
Equity as at 1st January 2015	2 579	552 382	2 541	-538 281	428	7 067	26 716
Change accounting principles				-36 118			-36 118
	2 579	552 382	2 541	-574 399	428	7 067	-9 402
Changes in provisions in Q1 2015				-300	300		-
Profit before OCI				-72 959			-72 959
Other result components (net after tax)				49			49
Profit from discontinued operations				-9 282			-9 282
Other				510			510
Equity as at 31st March 2015	2 579	552 382	2 541	-656 381	728	7 067	-91 084
Equity as at 1st April 2015	2 579	552 382	2 541	-656 381	728	7 067	-91 084
Increase in equity in Q2 2015	30 000	315 572					345 572
Cost related to capital issue		-3 698					-3 698
Changes in provisions in Q2 2015				728	-728		-
Profit before OCI				-17 760			-17 760
Other result components (net after tax)				-476			-476
Profit from discontinued operations				-20 504			-20 504
Other				-315			-315
Equity as at 30th June 2015	32 579	864 256	2 541	-694 708	0	7 067	211 735
Equity as at 1st July 2015	32 579	864 256	2 541	-694 708	0	7 067	211 735
Increase in equity in Q3 2015	0	0					-
Cost related to capital issue		-1 582					-1 582
Changes in provisions in Q3 2015				-5 404	0	5 404	-
Profit before OCI				-12 941			-12 941
Other result components (net after tax)				-3 376			-3 376
Profit from discontinued operations				-1 463			-1 463
Other				547			547
Equity as at 30th September 2015	32 579	862 674	2 541	-717 345	0	12 471	192 920
Equity as at 1st October 2015	32 579	862 674	2 541	-717 345	0	12 471	192 920
Increase in equity in Q4 2015	3 250	46 719					49 969
Cost related to capital issue		-2 060					-2 060
Changes in provisions in Q4 2015				-1 964	0	1 964	-
Profit before OCI				-93 908			-93 908
Other result components (net after tax)				1 396			1 396
Option expenses			1 540				1 540
Gevinst salg datterselskaper							-
Profit from discontinued operations				-45 550			-45 550
Other				-737			-737
Equity as at 31st December 2015	35 829	907 333	4 081	-858 108	0	14 435	103 570

Equity as at 1st January 2016	35 829	907 333	4 081	-858 108	0	14 435	103 570
Increase in equity in Q1 2016							-
Subscribed equity							-
Cost related to capital issue							-
Changes in provisions in Q1 2016				-1 902		1 902	-
Profit before OCI				-46 294			-46 294
Other result components (net after tax)				-29			-29
Option expenses			400	-400			-
Profit from discontinued operations				-23 675			-23 675
Reversal technical provisions							-
Other				2			2
Equity as at 31st March 2016	35 829	907 333	4 481	-930 406	0	16 337	33 574
Equity as at 1st April 2016	35 829	907 333	4 481	-930 406	0	16 337	33 574
Increase in equity in Q2 2016							-
Subscribed equity							-
Cost related to capital issue							-
Changes in provisions in Q2 2016				-1 766		1 766	-
Profit before OCI				-12 953			-12 953
Other result components (net after tax)				0			-
Option expenses			1 456	-1 456			-
Other expenses				-109			-109
Profit from discontinued operations				159 805			159 805
Other				1			1
Equity as at 30th June 2016	35 829	907 333	5 937	-786 883	0	18 103	180 318
Equity as at 1st July 2016	35 829	907 333	5 937	-786 883	0	18 103	180 318
Increase in equity in Q3 2015							-
Subscribed equity							-
Cost related to capital issue				-2 107		2 107	-
Changes in provisions in Q3 2016							-
Profit before OCI				-60 553			-60 553
Other result components (net after tax)				1 498			1 425
Option expenses			1 000	-1 000			-
Other expenses							-
Other				150			150
Equity as at 30th Sept. 2016	35 829	907 333	6 937	-848 896	0	20 210	121 413

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Accounting principles

These interim accounts and the report from the Board of Directors for the third quarter and first nine months of 2016 has been prepared according to IFRS and IAS 34 Interim Reporting, and are in line with the principles described in the annual report for 2015. For further information, reference is made to the 2015 annual report.

Due to changes in the financial statement regulation for insurance companies, effective from 1 January 2016, the comparable figures have been restated. The changes in the regulation led to changes in the accounting principles regarding the security provision and allocated return on investments. The changes in security provisions are no longer required and the provisions amounting to NOK 46.7 million at year end 2015 have been restated to other equity. The changes in security provisions in profit and loss have been restated accordingly for prior periods. The allocation of return on investments are no longer transferred from non-technical to technical accounts and all comparable periods have been restated accordingly.

The Group has decided to change accounting principles related to capitalization and amortization of sales expenses. As of 30 June 2016 the capitalized expenses amounted to NOK 112.0 million and have been restated to equity. The comparative amounts for prior periods have been restated accordingly. The effect of the changes in accounting principles is shown in the table below:

Equity effect of changing principles 30 June 2016	112 054
Reduced expenses 2016	35 470
Equity effect of changing principles 31 December 2015	147 524
Increased sales expenses 2015	-79 432
Changes in security reserves provisions 2015	-31 974
Equity effect of changing principles 1 January 2015	36 118

NOTE 2 Segment information

Norway (NOK 1,000)	Q3 2016	Q3 2015 ¹	30.09.2016	30.09.2015 ¹	31.12.2015 ¹
Gross premiums written	120 896	156 002	502 954	564 428	800 331
Premiums earned f.o.a.	40 108	51 519	156 564	149 707	201 806
Other income	589	3 477	2 095	6 629	6 207
Incurred claims and operating expenses f.o.a.	-98 956	-49 433	-279 893	-191 055	-338 731
Technical result	-58 259	-8 012	-59 720	-48 989	-128 199
Cost Ratio	154 %	41 %	72 %	72 %	78 %
Loss Ratio	93 %	81 %	80 %	83 %	90 %
Net Combined Ratio	247 %	122 %	153 %	155 %	168

1) Numbers have been restated and are excluding Sweden.

Denmark (NOK 1,000)	Q3 2016	Q3 2015 ¹	30.09.2016	30.09.2015 ¹	31.12.2015 ¹
Gross premiums written	13 680	12 619	43 795	36 361	46 541
Premiums earned f.o.a.	3 688	2 427	11 784	5 104	8 086
Other income	0	0	0	9	0
Incurring claims and operating expenses f.o.a.	-5 969	-15 518	-16 036	-70 945	-75 364
Technical result	-2 280	-13 091	-4 252	-65 832	-67 278
Cost Ratio	69 %	1379 %	65 %	1194 %	821 %
Loss Ratio	93 %	137 %	71 %	81 %	111 %
Net Combined Ratio	162 %	1517 %	136 %	1275 %	932 %

NOTE 3 Changes in equity

There are no changes in paid-in equity during the third quarter of 2016. Reference is made to the statement of changes in equity.

NOTE 4 Other intangible assets

The Group had no large investments in goodwill or intangible assets during the third quarter of 2016. The balance of goodwill amounting to NOK 78 million refers mainly to development of the Group's insurance system, acquisition of an insurance portfolio at the end of 2013 and the purchase of the distribution companies in 2016. Both the Group's insurance system and the insurance portfolio are depreciated over seven years.

The PPA analysis relating to the acquisition of the distribution companies in the second quarter of 2016 has not been finalised and the excess purchase price compared to equity in the distribution companies is included in goodwill. Goodwill related to the purchase of the distribution companies equals NOK 24 million.

NOTE 5 Earnings per share

Earnings per share

Earnings per share is calculated by dividing the profit before components of comprehensive income on a weighted average of outstanding ordinary shares through the quarter, own shares deducted.

(NOK 1,000)	Q3 2016	Q3 2015 ¹	30.09.2016	30.09.2015 ¹	31.12.2015 ¹
Profit before OCI	-59 055	-17 778	17 690	-138 710	-276 773
Earnings per share	-0.13	-0.04	0.04	-0.72	-1.11

Earnings per share, diluted

By calculation of diluted earnings per share, a weighted average of total outstanding shares through the quarter is used adjusted for the effect of conversion of potential shares that can cause dilution. The Group has one category of potential shares that can cause dilution: stock options. The number of shares is compared with the number of shares that would have been issued if all stock options were exercised. The difference is added in the calculation as issued shares without consideration.

1) Numbers have been restated and are excluding Sweden.

(NOK 1,000)	Q3 2016	Q3 2015 ¹	30.09.2016	30.09.2015 ¹	31.12.2015 ¹
Profit before OCI (adjusted for discontinued operations)	-59 055	-17 778	17 690	-138 710	-276 773
Weighted average of ordinary shares (in 1,000)	410 492	407 242	410 492	189 895	242 283
Adjusted for stock options (in 1,000)	447 867	412 787	447 867	192 441	248 721
Earnings per share diluted	-0.13	-0.04	0.04	-0.72	-1.11

Earnings per share diluted is for Insr Insurance Group ASA equivalent to earnings per share. The earnings per share diluted will only be different if conversion of shares increases the deficit per share.

NOTE 6 Bond and other fixed-income securities

During the third quarter 2015, the company invested in low risk money market funds. The value of the portfolio by end of September 2016 was NOK 153 million. The managers of the funds are Danske Bank, Storebrand and Nordea.

NOTE 7 Transactions with related parties

Transactions with companies within the Group have been eliminated in the Group accounts. With the acquisition of Vardia Norge, additional transactions have been identified and eliminated. The purchase of the shares of Vardia Norge group (distribution companies) was executed on 23 May 2016 for the amount of NOK 5.5 million. Vardia Norge's activities are integrated into group operations.

For further information, please refer to the annual accounts for 2015.

1) Numbers have been restated and are excluding Sweden.

NOTE 8 Discontinued operations

On 28 April 2016, Insr announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015. The Swedish portfolio is not included in the balance sheet as per 30 June 2016 (included in prior periods) and the related result for the portfolio is presented as "discontinued operations" in the related quarters. The business represents the geographic area Sweden, defined as an operating segment.

Insr Insurance Group					
Discontinued operations (Sweden)					
	Q3 2016	Q3 2015	30.09.2016	30.09.2015	31.12.2015
Premium income					
Gross premiums earned	0	148 463	348 671	407 009	564 215
Reinsurance share	0	-114 234	-272 765	-309 208	-424 994
Premiums earned for own account	0	34 229	75 906	97 801	139 221
Other insurance-related income	0	633	0	5 958	5 958
Claims					
Gross claims incurred	0	-69 020	-310 079	-267 271	-334 176
Reinsurance share of gross claims incurred	0	50 219	233 208	200 454	209 517
Claims incurred for own account	0	-18 802	-76 871	-66 818	-124 659
Operating expenses					
Sales costs	0	-45 441	-61 549	-113 505	-167 911
Insurance-related administration costs	0	-6 625	-23 256	-31 166	-35 187
Commission received	0	34 543	39 620	76 481	105 779
Total operating expenses for own account	0	-17 523	-45 185	-68 190	-97 319
Technical result	0	-1 463	-46 150	-31 249	-76 799
Net financial income					
Gain from sale of the Swedish portfolio	0	0	182 280	0	0
Total financial income	0	0	182 280	0	0
Non-technical result	0	0	182 280	0	0
Profit before components of comprehensive income	0	-1 463	136 130	-31 249	-76 799
Profit from discontinued operations	0	-1 463	136 130	-31 249	-76 799

GLOSSARY

Available capital: Capital measure defined internally based on Insr's valuation of market-consistent value of assets minus market-consistent value of obligations.

Solvency capital requirement (SCR): The amount of capital the company is required to hold. SCR is derived using a standard formula.

Gross loss ratio: Gross claims incurred / Gross premiums earned

Gross cost ratio: Sales and administration costs / Gross premiums earned

Gross combined ratio: Gross claims ratio + Gross cost ratio

Loss ratio for own account (f.o.a.): Claims incurred net of reinsurance / Earned premium net of reinsurance

Cost ratio f.o.a.: Administration costs / Earned premiums net of reinsurance

Combined ratio f.o.a.: Net claims ratio + Net cost ratio

Solvency margin: Available capital / Solvency capital requirement

Disclaimer

This report may contain forward-looking statements, which are based on our current expectations and projections about future events. The terms “anticipates”, “assumes”, “believes”, “can”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “should”, “projects”, “will”, “would” or, in each case, their negative, or other variations or comparable terminology are used to identify forward-looking statements. All statements other than statements of historical facts included in this report, including statements regarding our future financial position, risks and uncertainties related to our business, strategy and our plans and objectives for future operations, may be deemed to be forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition, any forward-looking statements are made only as of the date of this report, and we do not intend and do not assume any obligation to update any statements set forth in this report.

FINANCIAL CALENDAR

Q4 2016 results	28 February 2017
Q1 2017 results	10 May 2017
Annual General Meeting	24 May 2017
Q2 2017 results	16 August 2017
Q3 2017 results	8 November 2017

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