

# INSR **INSURANCE GROUP ASA**

INTERIM REPORT  
THIRD QUARTER 2018

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## HIGHLIGHTS Q3

- Annualised year to date growth rate of 19%
- Gross underwriting profit of NOK 8.9 million with gross combined ratio of 97.7%
- Net loss of 14.3 million with net combined ratio of 107.5%
- Danish growth confirms geographic scalability
- Comprehensive pricing actions with no material churn

### **Subsequent events**

- Successful IT migration concludes the Nemi integration less than one year after closing the transaction
- NOK 75 million Tier 1 hybrid capital issued, pending Norwegian FSA approval. Solvency margin would have been 171% including this capital, compared to a reported ratio of 147%

# CONSOLIDATED KEY FIGURES

<i>(MNOK except otherwise stated)</i>	Q3 2018	Q3 2017	Pro forma Q3 2017 <sup>3</sup>	YTD 2018	Pro forma YTD 2017 <sup>3</sup>	Pro forma FY 2017	Pro forma FY 2017 <sup>3</sup>
Gross premium earned <sup>1</sup>	387.7	166.2	335.5	1 071.9	1 001.0	716.4	1 341.0
Gross claims incurred	(269.3)	(104.1)	(243.3)	(856.6)	(687.6)	(499.6)	(946.7)
Sales costs	(53.1)	(24.8)	(39.9)	(135.0)	(14,28)	(136.0)	(194.3)
Administration costs	(56.4)	(37.3)	(70.7)	(154.7)	(178.7)	(230.8)	(353.7)
<b>Gross underwriting result</b>	<b>8.9</b>	<b>0.0</b>	<b>(16.4)</b>	<b>(74.4)</b>	<b>20.5</b>	<b>(150.0)</b>	<b>(153.7)</b>
<i>Gross to net adjustment</i>							
Reinsurance share of premium	(191.8)	(97.9)	(222.6)	(568.0)	(706.8)	(461.0)	(922.6)
Reinsurance share of claims	123.7	56.7	151.7	454.7	454.8	315.4	618.2
Commissions received	44.5	53.8	84.8	130,5	202.0	87,0	212.4
<b>Reinsurers' result</b>	<b>23.6</b>	<b>(12.6)</b>	<b>(14.0)</b>	<b>(17,2)</b>	<b>50.1</b>	<b>58,6</b>	<b>92.0</b>
<b>Net underwriting result</b>	<b>(14.7)</b>	<b>12.6</b>	<b>(2.4)</b>	<b>(57.2)</b>	<b>(29.6)</b>	<b>(209.6)</b>	<b>(245.7)</b>
Investment return	1.4	3.7	4.0	5.1	8.1	3.2	5.0
Other items <sup>2</sup>	(1.0)	(4.3)	(4.1)	(4.4)	(5.9)	0.6	(36.8)
<b>Net result</b>	<b>(14.3)</b>	<b>12.0</b>	<b>(2.5)</b>	<b>(56.5)</b>	<b>(27.3)</b>	<b>(205.8)</b>	<b>(277.4)</b>
Gross loss ratio	69.5%	62.8%	72.9%	80.2%	69.0%	69.7%	70.9%
Gross sales ratio	13.7%	14.9%	11.4%	12.6%	11.5%	19.0%	14.6%
Gross cost ratio	28.2%	37.4%	32.5%	27.1%	29.4%	51.2%	41.1%
Gross combined ratio	97.7%	100.2%	105.4%	107.3%	98.4%	120.9%	112.0%
Net loss ratio	74.3%	69.8%	82.3%	80.3%	80.4%	72.1%	79.7%
Net cost ratio	33.2%	12.1%	21.4%	31.8%	31.4%	109.6%	81,5%
Net combined ratio	107.5%	81.9%	103.7%	112.1%	111.8%	181.7%	161.2%
<b>Solvency ratio</b>	<b>147%</b>					<b>185%</b>	

1) Includes other insurance related income

2) Includes interest paid, currency effects, unexpired risk, other income and costs

3) Pro forma figures calculated as the sum of reported figures for Nemi Forsikring AS and Insr for the given period. Nemi's 2017 financial reports are available here: <https://www.nemiforsikring.no/om-nemi-forsikring/finansuell-informasjon/> Compared to the published quarterly reports for Nemi, sales cost figures and deferred tax treatment have been updated to reflect Insr's accounting principles used at year-end.

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# MESSAGE FROM THE CEO

Our growth was strong this quarter, adding substantial wholesale volume both in Norway and Denmark. The 19% annualized growth rate year to date is well ahead of the medium term target of low double digit growth.

In terms of geographic footprint, we now see strong growth in Denmark. This confirms that there is strategic value in our platform, with a potential for geographic scalability. The growth is delivered with a small staff of six people in Denmark supported by the head quarter.

Gross combined ratio was 97.7%. This means that our underlying business is profitable, with a gross underwriting profit of NOK 8.9 million. The positive development is driven by an improved loss ratio. Costs are adversely affected by front-loaded sales costs as well as migration costs, both of which are valuable investments in future profitability and cost efficiency. The interim migration organization, including approximately twenty temporary employees, will be gradually phased out over the next few quarters.

To ensure continued loss ratio improvements, we are pricing to beat claims inflation. As an example, our car insurance new sales prices have increased 5% for Q3 compared to Q2. In part due to the fact that the entire Norwegian market currently is repricing, no material uptick in customer churn has been observed.

The integration of Nemi has been completed. This is an important milestone fully delivered less than one year after closing of the acquisition. A highly successful automated migration took place November 3rd to 5th.

Finally, capitalization has been strengthened. In October, NOK 75 million of Tier 1 Hybrid Capital was raised on attractive terms. The issue is pending Norwegian FSA approval, expected in Q4. If the bond had already been approved, the Q3 solvency ratio would have improved to 171%. The actual solvency margin for the quarter was 147%. The additional capital increases the flexibility to grow and gradually reduce the reinsurance cession.



**Chief Executive Officer**

# GROUP PERFORMANCE

(Figures in brackets in this section are pro forma figures for same period prior year unless otherwise stated.)

## Results

### Third quarter 2018

Insr Insurance Group ASA (Insr) reported a gross loss ratio for the third quarter of 69.5% compared to a pro forma loss ratio same quarter last year of (72.9%). The impact of claims inflation for motor continues to affect the results, and Insr's significant ongoing pricing measures will gradually improve claims ratios into, and throughout, 2019.

Insr's own brand portfolios are in slight decline and maturing. A combination of not seeing any anti-selection in the declining portfolios, reduced new sales, and higher price increases has led to a reserve adjustment, improving the quarter's gross loss ratio approximately 4 %-points.

Gross cost ratio was 28.2%, compared to pro forma 32.8% for the third quarter last year, corresponding to gross operating expenses of NOK 109.5 million (NOK 108.7 million).

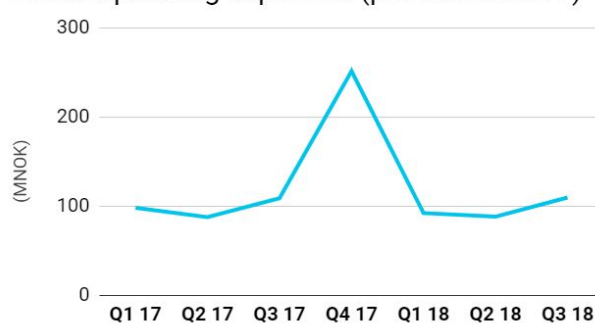
Gross combined ratio was 97.7% (105.4%). Combined ratio for own account is somewhat above to the gross ratio at 107.5% (103.7%), changing the positive gross technical result to a net loss. The difference is evenly split on the cost and loss ratios. Costs remain higher than they will be post migration, as substantial extra efforts are required to migrate and still run two business processes in many areas. This keeps the gross cost ratio above the reinsurance commission, which worsens the cost ratio for own account. Due to the high quota cession in previous years, the reserve adjustment this quarter benefits the reinsurers slightly more than the net loss ratio.

Technical result for the quarter was a loss of NOK 14.7 million (loss of NOK 2.5 million).

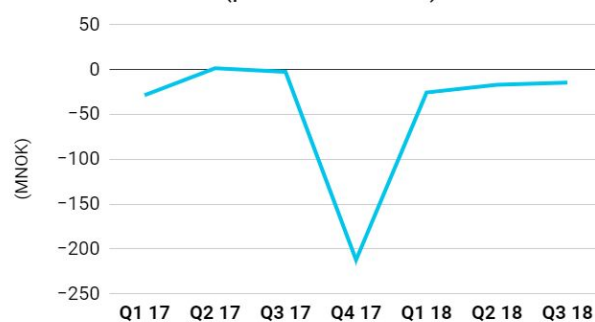
Gross loss ratio (pro forma 2017)



Gross operating expenses (pro forma 2017)



Technical result (pro forma 2017)



Net income from financial assets amounted to NOK 1.4 million (NOK 4.0 million) and net interest paid was NOK 1.3 million.

Net result for the quarter was a loss of NOK 14.3 million (loss of NOK 2.5 million), a loss per share of NOK 0.11.

### Year to date 2018

Technical result for the first three quarters of 2018 was a loss of NOK 56.5 million (loss of NOK 26.9 million). All three quarters are impacted by continuing motor claims inflation and the harsh and long winter pulled down the first two quarters.

Result from operations was a loss of NOK 57.2 million (loss of NOK 27.3 million).

## Premium income

<i>(MNOK except otherwise stated)</i>	<b>Q3 2018</b>	Q3 2017	Pro forma Q3 2017	YTD 2018	Pro forma YTD 2017
Gross premium written	383,2	157,4	296,1	1069,2	948,5
Norway	286,5	132,3	284,0	948,2	911,0
Denmark	99,7	12,1	12,1	121,0	37,5
Premium earned f.o.a.	195,9	67,9	111,3	500,8	289,6
Norway	170,7	62,9	106,3	461,5	278,4
Denmark	25,2	5,0	5,0	39,3	11,2
Portfolio	1 533,9	655,5	1 305,0		
Norway	1 419,9	607,1	1 256,6		
Denmark	128,7	48,4	48,4		

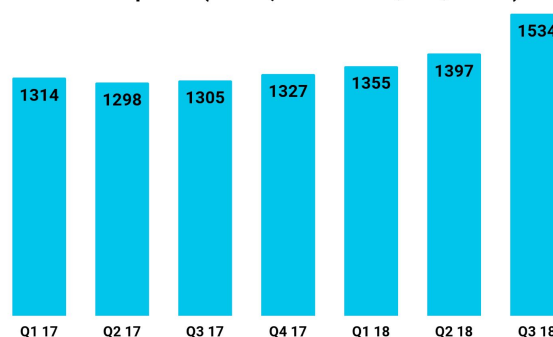
### Third quarter 2018

Gross premium written amounted to NOK 383.2 million (NOK 296.1 million) during the third quarter.

Premium earned for own account continues to grow significantly, to NOK 195.9 million, compared to pro forma NOK 111.3 million third quarter 2017. Gross premium written is 24.8% higher than previous quarter.

The portfolio as of September 30<sup>th</sup>, 2018 was NOK 1 534 million (NOK 1 305 million). This was the fifth consecutive quarter with organic growth. Growth from previous quarter was 8.7%, corresponding to an annualized growth rate of 24.9%. Annualised growth rate since 31.12.17 was 19.3%. This growth is driven by wholesale partnerships, both in Norway and Denmark. In addition, churn in the direct

Portfolio development (MNOK, Pro Forma Q1 - Q3 2017)



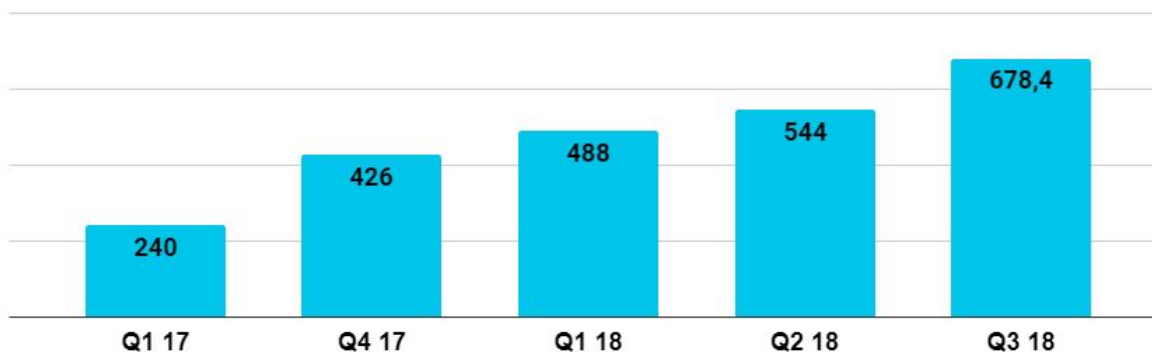
portfolio is under control, despite ongoing migration efforts and steep price increases.

### Year to date 2018

Gross premium written year to date was NOK 1 069.2 million (NOK 948.5 million), gross premium earned NOK 1 068.7 million (NOK 1 001.0 million), and premium earned for own account NOK 500.8 million (NOK 289.6 million). The portfolio growth over the past year is now starting to show in the gross earned premium, and the reduced reinsurance cession allows keeping a much higher premium for own account.

## Investment income

Investment Portfolio Development (MNOK)



Net income from financial assets amounted to NOK 1.4 million (NOK 4.0 million); an annualised return of 0.9% in the quarter. The investment portfolio growth continues.

Year to date investment income was NOK 5.1 million.

## Financial position and liquidity

*(Figures in brackets in this section are figures for Insr only for same period prior year unless otherwise stated.)*

### Consolidated cash flow

#### Third quarter 2018

Very strong cash flow from operations; cash inflow NOK 122.2 million, NOK 178.7 million above the net result. This compares to an operational cash flow for the same period last year for Insr, not including Nemi, of NOK 25.7 million. Reduced insurance cession and growth gives a higher cash flow.

NOK 150.0 million was invested in money market funds.

Cash flow from financing activities was zero.

The Group recorded cash and cash equivalents of NOK 185.5 million as of September 30<sup>th</sup>, 2018 (NOK 206.9 million).

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**Year to date 2018**

The operational cash flow year to date is NOK 236.2 million. Slightly more, NOK 245.8 million has been invested, reducing the bank balance by NOK 9.7 million.



## Consolidated financial position and solvency capital

As of September 30<sup>th</sup>, 2018, total assets amounted to NOK 2 458.4 million (NOK 1 334.3 million). Total equity amounted to NOK 423.1 million (NOK 178.3 million).

The solvency ratio at the end of the quarter was 147%, down from last quarter's 161%, well above the regulatory requirement of 100%.

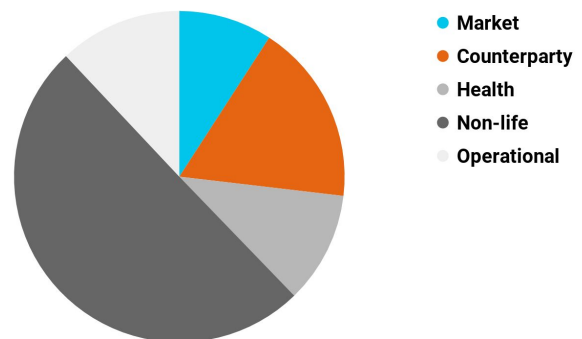
The Solvency Capital Requirement (SCR) as of September 30<sup>th</sup> was NOK 273 million (previous quarter NOK 252 million). The majority of the increase is related to increased insurance risk, as expected with reduced quota cession and growth. There is also an increase due to modified catastrophe scenarios from the EU's Solvency II governing body, called EIOPA. The split on risk types is similar to last quarter.

The Available Capital is NOK 400 million (Q2' 18: NOK 410 million), a surplus of NOK 127 million above the SCR. The Available Capital has decreased NOK 10 million since last quarter, with the loss in the quarter being the main reason.

### SOLVENCY CAPITAL (MNOK)

Tier 1	263
Tier 2	100
Tier 3	36
<b>Available capital</b>	<b>400</b>

### Solvency Capital Requirement as of 30 September 2018



The solvency figures are those reported to the Norwegian FSA (NFSA), which, after the merger, reverted to being for Insr Insurance Group ASA, not the Group.

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## OUTLOOK

Insr expects continued organic portfolio growth for the rest of 2018. The medium term target of low double digit growth is expected to be reached already for 2018, as growth year to date was well above expectations. The wholesale strategy implies a more volatile topline, but the wholesale volume added this year both in Norway and Denmark is truly promising.

The quality of the insurance portfolio is expected to improve as a result of pricing and pruning measures. Cost synergies will gradually materialize in the financials after migration is completed in Q4 with corresponding operational simplifications.

Insr targets a gross combined ratio in the medium term of 90-92%, and aims for low double digit portfolio growth.

Insr Insurance Group ASA complies with statutory solvency requirements, reporting a solvency ratio of 147% as of September 30<sup>th</sup>, 2018. The company will optimize capital management with a sustainable solvency margin above 130% going forward.

Oslo, November 12<sup>th</sup>, 2018

The Board of Directors  
Insr Insurance Group ASA

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED FOR THE PERIOD ENDED SEPTEMBER 30<sup>TH</sup>, 2018

Consolidated Income Statement						(NOK 1,000)
	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Premium income</b>	2					
Gross premiums earned		387 723	165 810	1 068 742	486 373	714 219
Reinsurance share		(191 819)	(97 909)	(567 966)	(326 745)	(461 034)
<b>Premiums earned for own account</b>		<b>195 905</b>	<b>67 901</b>	<b>500 776</b>	<b>159 628</b>	<b>253 185</b>
<b>Other insurance-related income</b>		<b>79</b>	<b>353</b>	<b>3 121</b>	<b>1 272</b>	<b>2 207</b>
<b>Claims</b>	2					
Gross claims incurred		(269 333)	(104 082)	(856 634)	(336 864)	(499 561)
Reinsurance share of gross claims incurred		123 727	56 694	454 685	214 677	315 414
<b>Claims incurred for own account</b>		<b>(145 606)</b>	<b>(47 388)</b>	<b>(401 949)</b>	<b>(122 187)</b>	<b>(184 147)</b>
<b>Operating expenses</b>						
Sales costs		(53 087)	(24 780)	(134 987)	(70 559)	(135 978)
Insurance-related administration costs		(56 393)	(37 299)	(154 663)	(88 526)	(230 784)
Commission received		44 403	53 847	130 475	97 183	87 011
<b>Total operating expenses for own account</b>		<b>(65 078)</b>	<b>(8 232)</b>	<b>(159 175)</b>	<b>(61 901)</b>	<b>(279 751)</b>
<b>Unexpired risk</b>		<b>0</b>	<b>-940</b>	<b>0</b>	<b>-940</b>	<b>-1 041</b>
<b>Technical result</b>		<b>(14 700)</b>	<b>11 693</b>	<b>(57 226)</b>	<b>(24 129)</b>	<b>(209 547)</b>
<b>Non-technical result</b>						
Investment income		1 402	3 762	5 120	2 726	3 189
Interest paid		-1 282	(3 476)	-3 706	(2 624)	(5 403)
<b>Non-technical result</b>		<b>0</b>	<b>286</b>	<b>1414</b>	<b>101</b>	<b>(2 214)</b>
<b>Result before tax</b>		<b>(14 580)</b>	<b>11 979</b>	<b>(55 813)</b>	<b>(24 027)</b>	<b>(211 761)</b>
Tax		0	0	0	0	0
<b>Result before comprehensive income and expenses</b>		<b>(14 580)</b>	<b>11 979</b>	<b>(55 813)</b>	<b>(24 027)</b>	<b>(211 761)</b>
<b>Comprehensive income and expenses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Currency effects		262	3	-686	-37	5 922
<b>Total comprehensive income and expenses</b>		<b>262</b>	<b>3</b>	<b>-686</b>	<b>-37</b>	<b>5 922</b>
<b>Net result</b>		<b>(14 318)</b>	<b>11 981</b>	<b>(56 498)</b>	<b>(24 064)</b>	<b>(205 839)</b>

Nemi is included in the figures from 1 December 2017, as the purchase closed 30 November.

Consolidated Statement of Financial Position				(NOK 1,000)
ASSETS	Note	Q3 2018	Q3 2017	31.12.2017
<b>Intangible assets</b>				
Goodwill		219 372	64 810	219 432
Other intangible assets	4	78 681	49 133	96 197
<b>Total intangible assets</b>		<b>298 052</b>	<b>113 942</b>	<b>315 629</b>
<b>Investments</b>				
Investments in shares and parts		2 656	2 000	2 607
Bonds and other fixed-income securities	6	675 967	196 725	425 911
<b>Total investments</b>		<b>678 623</b>	<b>198 725</b>	<b>428 518</b>
<b>Reinsurance share of gross technical provisions</b>				
Reinsurance share of gross premium provisions		327 032	177 347	437 395
Reinsurance share of non-adjusted risk		0	2 730	2 379
Reinsurance share of gross claims provisions		428 671	296 258	430 766
<b>Total reinsurance share of gross technical provisions</b>		<b>755 703</b>	<b>476 335</b>	<b>870 540</b>
<b>Receivables</b>				
Receivables in connection with direct insurance and reinsurance		510 673	272 904	578 685
Other receivables		10 863	51 374	55 253
<b>Total receivables</b>		<b>521 536</b>	<b>324 278</b>	<b>633 938</b>
<b>Other assets</b>				
Plant and equipment		9 984	2 397	11 173
Cash and cash equivalents		185 535	206 961	199 383
<b>Total other assets</b>		<b>195 520</b>	<b>209 357</b>	<b>210 556</b>
<b>Prepaid expenses and earned income not received</b>				
Prepaid costs and earned income not received		8 932	11 663	12 292
<b>Total prepaid expenses and earned income not received</b>		<b>8 932</b>	<b>11 663</b>	<b>12 292</b>
<b>Total assets</b>		<b>2 458 367</b>	<b>1 334 300</b>	<b>2 471 473</b>

Consolidated Statement of Financial Position		(NOK 1,000)		
EQUITY AND LIABILITIES	Note	Q3 2018	Q3 2017	31.12.2017
<b>Paid-in equity</b>				
Share capital		107 759	50 891	107 759
Share premium		1 449 333	1 019 036	1 449 333
Other paid-in-equity		10 578	7 123	7 933
<b>Total paid-in equity</b>		<b>1 567 670</b>	<b>1 077 050</b>	<b>1 565 024</b>
Provision for Natural Perils Fund		24 380		27 740
Provision for Guarantee scheme		54 923	25 291	54 923
Other equity		-1 223 902	-924 085	-1 170 843
<b>Total equity</b>	3	<b>423 071</b>	<b>178 257</b>	<b>476 844</b>
<b>Subordinated loan</b>		<b>75 726</b>	<b>74 128</b>	<b>74 156</b>
<b>Technical provisions</b>				
Gross premium reserve		719 342	330 266	719 613
Unexpired risk reserve		2 292	5 113	4 671
Gross claims reserve		752 675	402 939	665 667
<b>Total technical provisions</b>		<b>1 474 309</b>	<b>738 318</b>	<b>1 389 951</b>
<b>Financial liabilities</b>				
Pension liabilities		2 939		2 939
Other liabilities		99 599	19 447	115 915
Liabilities in connection with direct insurance and reinsurance		267 018	238 955	240 972
<b>Total financial liabilities</b>		<b>369 556</b>	<b>258 402</b>	<b>359 826</b>
<b>Premium deposits from reinsurance companies</b>		<b>8 947</b>		<b>7 290</b>
Accrued costs and received unearned income		106 645	85 193	163 407
<b>Total liabilities</b>		<b>2 035 294</b>	<b>1 156 041</b>	<b>1 994 629</b>
<b>Total equity and liabilities</b>		<b>2 458 365</b>	<b>1 334 298</b>	<b>2 471 473</b>

<b>Consolidated statement of cash flow</b>					(NOK 1,000)
	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>	<b>FY 2017</b>
<b>Cash flow from operations</b>					
Paid in premiums	409 330	144 848	1 130 236	457 167	632 045
Paid claims	-227 816	-90 442	-744 959	-309 877	-439 903
Paid reinsurance	45 267	52 962	103 287	139 562	95 005
Paid operating expenses including commissions	-81 133	-78 114	-229 026	-219 665	-302 093
Interest income /- expenses	-1 157	-1 414	-1 157	-4 449	-2 092
Other	-22 194	-2 136	-22 194	-4 518	-4 536
<b>Net cash flow from operations</b>	<b>122 297</b>	<b>25 703</b>	<b>236 187</b>	<b>58 220</b>	<b>-21 573</b>
<b>Cash flow from investment activities</b>					
Acquisition of assets	-1 295	40	-4 164	-2 015	-2 015
Investments in money market funds	-150 000	29 171	-245 871	-77 722	-181 169
Payment from sale of portfolio	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	0	-230 000
<b>Net cash flow from investment activities</b>	<b>-151 295</b>	<b>29 211</b>	<b>-250 035</b>	<b>-79 737</b>	<b>-413 184</b>
<b>Cash flow from financial activities</b>					
Proceeds from subordinated loan	0	0	0	0	0
Proceeds from issued capital	0	0	0	126 765	523 928
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126 765</b>	<b>523 928</b>
<b>Exchange rate differences on cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash flow for the period</b>	<b>-28 998</b>	<b>54 914</b>	<b>-13 848</b>	<b>105 248</b>	<b>89 172</b>
<b>Hereof discontinued operations</b>	<b>0</b>	<b>0</b>	<b>-9 536</b>	<b>0</b>	
Cash and cash equivalents at the beginning of the period	214 533	152 904	199 383	101 732	101 732
Cash and cash equivalents at the end of the period	185 535	206 961	185 535	206 961	199 383
<b>Net cash flow for the period</b>	<b>-28 998</b>	<b>54 057</b>	<b>-13 848</b>	<b>105 229</b>	<b>89 171</b>
<b>Specification of cash and cash equivalents</b>					
Cash in bank	185 535	206 961	185 535	206 961	190 903
Other financial assets	0	0	0	0	8 480
<b>Total cash and cash equivalents</b>	<b>185 535</b>	<b>206 961</b>	<b>185 535</b>	<b>206 961</b>	<b>199 383</b>

Consolidated statement of changes in equity							(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural Perils Pool	Guarantee scheme	Total
<b>Equity as at 1st January 2017</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>-904 310</b>	<b>0</b>	<b>21 966</b>	<b>66 355</b>
Increase in equity	14 400						14 400
Subscribed equity		111 600					111 600
Cost related to capital issue		-3 015					-3 015
Changes in provisions				-1 534		1 534	0
Profit before OCI				-19 549			-19 549
Other result components (net after tax)				-2 079			-2 079
Option expenses			641				641
<b>Equity as at 31st March 2017</b>	<b>50 229</b>	<b>1 015 919</b>	<b>6 177</b>	<b>-927 472</b>	<b>0</b>	<b>23 500</b>	<b>168 352</b>
Increase in equity	662						662
Subscribed equity		5 132					5 132
Cost related to capital issue		-2 015					-2 015
Changes in provisions				-1 391		1 391	0
Profit before OCI				-14 906			-14 906
Other result components (net after tax)				1 585			1 585
Option expenses			554				554
<b>Equity as at 30st June 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>6 731</b>	<b>-942 184</b>	<b>0</b>	<b>24 891</b>	<b>159 365</b>
Changes in provisions				-400		400	0
Profit before OCI				-27 064			-27 064
Other result components (net after tax)				2 083			2 083
Option expenses			392				392
<b>Equity as at 30th September 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>7 123</b>	<b>-967 565</b>	<b>0</b>	<b>25 291</b>	<b>134 776</b>
Increase in equity	56 868						56 868
Subscribed equity		440 721					440 721
Cost related to capital issue		-10 425					-10 425
Changes in provisions				-57 372	27 740	29 632	0
Profit before OCI				-150 239			-150 239
Other result components (net after tax)				4 333			4 333
Option expenses			811				811
<b>Equity as at 31st December 2017</b>	<b>107 759</b>	<b>1 449 332</b>	<b>7 934</b>	<b>-1 170 843</b>	<b>27 740</b>	<b>54 923</b>	<b>476 845</b>
Changes in provisions				7 091	-7 091		0
Profit before OCI				-24 677			-24 677
Equity as at 31st March 2018	107 759	1 449 332	7 934	-1 188 429	20 649	54 923	452 168
<b>Changes in provisions</b>				<b>-2 935</b>	<b>2 935</b>		<b>0</b>
Profit before OCI				-16 136			-16 136
Other result components (net after tax)				-1 288			-1 288
Option expenses			1 895				1 895
Equity as at 30st June 2018	107 759	1 449 332	9 829	-1 208 788	23 584	54 923	436 639
<b>Changes in provisions</b>				<b>-796</b>	<b>796</b>		<b>0</b>
Profit before OCI				-14 467			-14 467
Other result components (net after tax)				149			149
Option expenses			750				750
<b>Equity as at 30th September 2018</b>	<b>107 759</b>	<b>1 449 332</b>	<b>10 579</b>	<b>-1 223 902</b>	<b>24 380</b>	<b>54 923</b>	<b>423 071</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 Accounting principles

These interim accounts have been prepared according to IFRS and IAS 34 Interim Reporting, and are in line with the principles described in the annual report for 2017. For further information, please see the annual report.

## NOTE 2 Segment information

Norway (NOK 1,000)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Gross premium earned	335 200	153 048	991 886	449 620	665 890
Premium earned f.o.a.	170 753	62 019	461 519	148 446	237 153
Other income	792	(587)	3 121	332	1 166
Incurred claims and operating expenses f.o.a.	(186 388)	(48 425)	(514 239)	(163 642)	(438 152)
<b>Technical result</b>	<b>(15 556)</b>	<b>13 593</b>	<b>(49 59)</b>	<b>(14 864)</b>	<b>(199 832)</b>
Cost Ratio f.o.a.	31%	154%	30%	34%	113%
Loss Ratio f.o.a.	78%	93%	81%	76%	72%
<b>Net Combined Ratio</b>	<b>109%</b>	<b>154%</b>	<b>111%</b>	<b>110%</b>	<b>185%</b>

Denmark (NOK 1,000)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Gross premium earned	52 524	12 762	76 856	36 754	48 329
Premium earned f.o.a.	25 151	5 295	39 257	11 182	16 032
Other income	-	-	-	-	-
Incurred claims and operating expenses f.o.a.	(24 296)	(7 196)	(46 885)	(20 447)	(25 746)
<b>Technical result</b>	<b>856</b>	<b>(1 900)</b>	<b>(7 628)</b>	<b>(9 265)</b>	<b>(9 714)</b>
Cost Ratio f.o.a.	47%	70%	50%	98%	69%
Loss Ratio f.o.a.	50%	66%	69%	84%	91%
<b>Net Combined Ratio</b>	<b>97%</b>	<b>136%</b>	<b>119%</b>	<b>183%</b>	<b>160%</b>

## NOTE 3 Intangible assets

Goodwill of NOK 219.4 million relates to the purchase of Vardia Norge and Nemi. Intangible assets of NOK 78.7 are mainly intangible assets added to the Group when purchasing Nemi, such as databases and customer relationships.



## NOTE 4 Earnings per share

### Earnings per share

Earnings per share is calculated by dividing the result from operations on a weighted average of outstanding ordinary shares through the quarter, own shares deducted.

The Group has one category of potential shares that can cause dilution: stock options. The options have dilutive effects if the exercise price is below the market price of the share. As of 30 June 2018, no options had dilutive effect, and diluted earnings per share equal earnings per share.

(NOK 1,000)	Q3 2018	Q3 2017	FY 2017
Result from operations	(14 318)	11 982	(211 760)
Earnings per share	(0.11)	0.19	(3.06)

### Earnings per share, diluted

The Group has one category of potential shares that can cause dilution, stock options. The diluted number of shares is calculated as the weighted average of shares during the quarter that would have been issued if all stock options that were in the money as of 30.09.2018 were exercised. There were 3 190 000 options outstanding, of which 3 040 000 had strikes below the share price of NOK 8.70 at 30.09.2018. During 2017, no options had dilutive effect.

(NOK 1,000)	Q3 2018	Q3 2017	FY 2017
Result from operations	(14 318)	11 982	(211 760)
Weighted average of ordinary shares (in 1,000)	134 699	63 614	69 309
Adjusted for stock options (in 1,000)	137 303	63 614	69 309
Earnings per share diluted	(0.10)	0.19	(3.06)

## NOTE 5 Bonds and other fixed-income securities

The value of the portfolio by end of September 2018 was NOK 676 million, the majority invested in Norwegian money market funds and a small portion in Nordic investment grade bond funds with low interest duration. The funds are managed externally.

## NOTE 6 Transactions with related parties

Transactions with companies within the Group have been eliminated in the Group accounts.

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# GLOSSARY

**Available capital:** Capital available for solvency purposes, determined under regulatory rules

**Solvency capital requirement (SCR):** The amount of capital the company is required to hold to fulfil regulatory requirements under Solvency II. The Standard formula is used to calculate SCR.

**Solvency ratio:** Available capital / Solvency capital requirement

**Vintages:** Policies written in prior underwriting years.

**Underwriting year:** The year commencing with the effective date of a policy or with the renewal date of that policy.

**Portfolio:** Sum of annualised premium for all insured as of given date

**Written premium:** Total premium on policies issued during a specific period

**Earned premium:** premium recorded during a specific period based on the ratio of the time passed on the policies to their coverage period

**Technical result:** Result before return on investment, other income, other costs and taxes

**Gross underwriting result:**  $(1 - \text{Gross combined ratio}) * \text{Gross premium earned}$

**Net underwriting result:**  $(1 - \text{Net combined ratio}) * \text{Earned premium f.o.a.}$

**Gross loss ratio:** Gross claims incurred / Gross premium earned

**Gross cost ratio:** Sales and administration costs / Gross premium earned

**Gross combined ratio:** Gross loss ratio + Gross cost ratio

**For own account (f.o.a.):** Net of reinsurance

**Loss ratio f.o.a.:** Claims incurred f.o.a. / Earned premium f.o.a.

**Cost ratio f.o.a.:** Administration costs f.o.a. / Earned premium f.o.a.

**Combined ratio f.o.a.:** Loss ratio f.o.a. + Cost ratio f.o.a.

**Unexpired risk (previously termed non-adjusted risk):** The excess risk, if expected claims and claims handling costs for future claims related to insurance contracts effective at the reporting date exceed the unearned premium reserves.

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## 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

<b>Q4 2018 Results</b>	<b>27.02.2019</b>
<b>Q1 2019 results</b>	<b>15.05.2019</b>
<b>Half year 2019 results</b>	<b>14.08.2019</b>
<b>Q3 2019 results</b>	<b>13.11.2019</b>
<b>Annual General Meeting</b>	<b>22.05.2019</b>

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