

INSR INSURANCE GROUP ASA

INTERIM REPORT

FIRST QUARTER 2018

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HIGHLIGHTS

- Step change in operations
 - Portfolio growth for the third consecutive quarter; on track to double digit growth
 - Leaner operations; higher revenue per full time employee
 - Net combined ratio in line with gross; improved reinsurance programme and synergies starting to materialize
- Increased claims ratio in line with market
 - Harsh winter
 - Motor claims inflation; signs of price increases in the market
- Loss from operations NOK 24.8 million

CONSOLIDATED KEY FIGURES

<i>(MNOK except otherwise stated)</i>	Q1 2018	Q1 2017	Pro forma Q1 2017 ³	FY 2017	Pro forma FY 2017 ³
Gross premium earned ¹	340.6	165.3	337.1	716.4	1 341.0
Gross claims incurred	(295.4)	(129.1)	(259.0)	(499.6)	(946.7)
Sales costs	(40.4)	(19.1)	(35.2)	(136.0)	(194.3)
Administration costs	(51.6)	(31.2)	(62.9)	(230.8)	(353.7)
Gross underwriting result	(46.7)	(14.2)	(20.0)	(149.9)	(153.6)
<i>Gross to net adjustment</i>					
Reinsurance share of premium	(190.1)	(126.4)	(254.8)	(461.0)	(922.6)
Reinsurance share of claims	169.6	95.8	187.4	315.4	618.2
Commissions received	41.6	25.7	58.9	87.0	212.4
Reinsurers' result	(21.1)	4.9	8.5	58.6	92.0
Net underwriting result	(25.6)	(19.0)	(28.5)	(208.5)	(245.6)
Investment return	1.8	0.9	1.8	3.2	5.0
Other items ²	(1.0)	(3.4)	(3.4)	(0.5)	(36.8)
Net result	(24.8)	(21.6)	(30.2)	(205.8)	(277.4)
Solvency ratio	162%	239%		185%	

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 Insurance Group for the given period. Nemi's Q1 report is available here: <https://www.nemiforsikring.no/lastned/5191/> and Nemi's Annual report for 2017 here: <https://www.nemiforsikring.no/lastned/5615/>. 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.

Step change in operations

Organic premium portfolio growth continued for the third consecutive quarter. With 8.7% annualized growth in the first quarter, Insr is on track to deliver on medium term target of low double digit growth.

Operational efficiency has been improved. Synergies from combining Nemi and Insr are starting to show in a reduced gross cost ratio. This, in combination with an improved reinsurance programme, gives a significant improvement in costs for own account and a net combined ratio in line with gross. Premium volume per full time employee, another measure of operational efficiency, has grown by over 40% since signing the Nemi acquisition. Improved operational control shows in amongst others a clean 2017 audit opinion.

The Norwegian insurance market reports underwriting results for the quarter affected both by a harsh winter with difficult driving conditions and claims inflation. Insr's claims ratio increased in line with the market. Ongoing price adjustments to counter claims inflation are absorbed by our customers.

The net loss from operations was NOK 24.8 million.

Insr and Nemi legally merged March 21st. The ambitious integration plan is on track. The focus for 2018 is to align the two companies' IT-platforms and establish a common culture in the combined organisation supporting the wholesale strategy.

GROUP PERFORMANCE

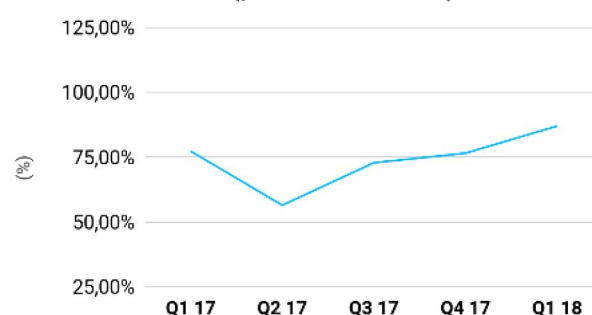
(Figures in brackets in this section are pro forma figures for same period prior year unless otherwise stated.)

Results

First quarter 2018

Insr Insurance Group ASA (Insr) reported a gross loss ratio for the first quarter of 87.1% compared to a pro forma loss ratio same quarter last year of (77.4%). The main cause is heavy snowfall this winter, which worsened seasonally high motor losses. Nearly half the difference to last year's pro forma ratio is due to Nemi's large run-off gain in Q1 '17. The increased frequency and claims inflation for motor is in line with the Norwegian

Gross loss ratio (pro forma 2017)



market in general. In order to mitigate effects of underlying claims inflation, pricing measures have been implemented, which should gradually improve claims ratios over the next 12 - 24 months.

Gross cost ratio was 27.1%, compared to pro forma 29.3% for the first quarter last year, corresponding to gross operating expenses of NOK 92.0 million (NOK 98.1 million). The reduction shows that synergies from combining Insr's and Nemi's operations are starting to materialize.

Gross combined ratio was 114.3% (106.7%), while combined ratio for own account fell to 118.4% (138.5%). Despite a slightly worse gross combined ratio, the ratio for own account improved significantly. Both improved reinsurance contracts and a cost ratio more similar to reinsurance commissions contribute to this.

Technical result for the quarter mirrors the combined ratio for own account, a loss of NOK 25.6 million (loss of NOK 28.5 million).

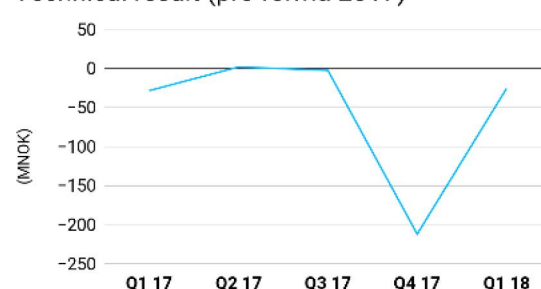
Net income from financial assets amounted to NOK 1.8 million (NOK 1.8 million) and net interest paid was NOK 1.3 million (NOK 1.4 million).

Net result for the quarter was a loss of NOK 24.8 million (loss of NOK 30.2 million), a loss per share of NOK 0.36.

Gross operating expenses (pro forma 2017)



Technical result (pro forma 2017)



Premium income

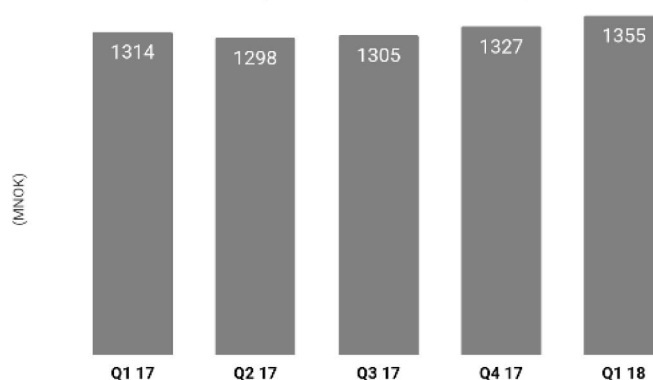
<i>(MNOK except otherwise stated)</i>	Q1 2018	Q1 2017	Pro forma Q1 2017	FY 2017	Pro forma FY 2017
Gross premium written	345.7	141.8	310.7	736.4	1 339.6
Norway	332.9	128.9	297.8	688.0	1 291.3
Denmark	12.8	12.9	12.9	48.3	48.3
Premium earned f.o.a.	148.8	37.0	80.0	253.2	412.0
Norway	141.2	33.9	76.9	237.2	396.0
Denmark	7.6	3.1	3.1	16.0	16.0
Portfolio	1 355.3	646.2	1 314.3		
Norway	1 308.2	595.5	1 263.6		
Denmark	47.1	50.7	50.7		

First quarter 2018

Gross premium written amounted to NOK 345.7 million (NOK 310.7 million) during the first quarter.

Premium earned for own account grew and nearly doubled, to NOK 148.8 million compared to pro forma NOK 80.0 million first quarter 2017. Reduced quota reinsurance share, in effect from April 1st, 2017 for legacy Insr and January 1st, 2018 for Nemi, increased premium earned for own account.

Portfolio development (pro forma Q1 - Q3 2017)



The portfolio as of 31 March 2018 was NOK 1 355.3 million (NOK 1 314.3 million). Compared to the fourth quarter 2017, the portfolio increased with 2.1% from NOK 1 326.9 million, an annualised growth rate of 8.7%; the third consecutive quarter with organic growth. (The company harmonized portfolio assessment methods for the Nemi and legacy Insr portfolios in the first quarter. This reduced the portfolio as of 31 December 2017 by NOK 27.6 million compared to the figure reported in the fourth quarter report.)

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

First quarter 2018

Cash inflow from operations was NOK 37.6 million, NOK 63.2 million better than the net result. This compares to an operational cash flow for the same period last year for Insr, not including Nemi, of NOK 20.5 million.

NOK 60 million was invested in money market funds. The company also invested NOK 2.9 million in the common IT platform for the merged company. The total investment cash outflow was NOK 62.9 million (NOK 120.9 million). Cash flow from financing activities was zero.

The Group recorded cash and cash equivalents of NOK 174.2 million as of 31 March 2018 (NOK 125.2 million).

Consolidated financial position and solvency capital

As of 31 March 2018, total assets amounted to NOK 2 434.0 million (NOK 1 390.8 million). Total equity amounted to NOK 452.2 million (NOK 176.0 million).

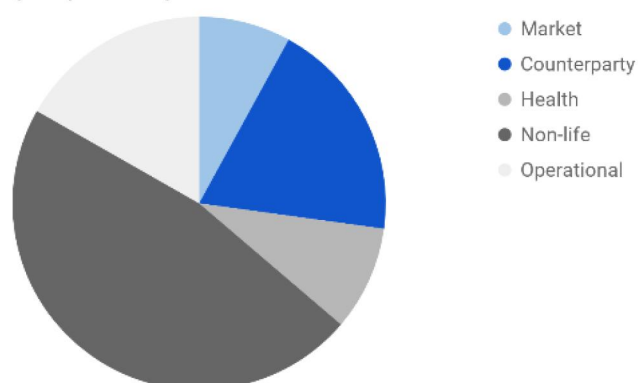
The solvency ratio at the end of the quarter was 162% (239%), significantly above the regulatory requirement of 100%, but lower than previous quarter. The solvency calculations of Nemi and Insr are being harmonised. Modeling assumptions will be further refined over the next quarters. These adjustments are not expected to impede maintaining the solvency ratio above 130%.

The Solvency Capital Requirement (SCR) as of 31 March was NOK 232 million (NOK 122 million).

The Available Capital is NOK 376 million, a surplus of NOK 144 million above the SCR.

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

Solvency Capital Requirement as of 31 March 2018



STRATEGIC UPDATE

Insr and Nemi legally merged on March 21st. As a consequence of this, all Nemi customers have been successfully transferred to Insr. Further, the Vardia brand is in the process of being phased out, and our tied agent network will operate jointly under the Nemi brand.

The integration of Insr and Nemi is progressing well and in line with plans. The integration process will continue throughout 2018, migrating to one core IT system during the fall. Another key area is to fully operationalize the wholesale strategy in the combined organisation, and establish a common culture to support this strategy going forward.

Insr has successfully established itself as a challenger in the insurance market with the wholesale strategy, offering underwriting capabilities and capacity, as well as claims handling, for a wide range of white label distribution partners. Insr's platform as a regulated insurance company will continually be developed, and partnerships will be expanded. The main focus in the medium term is to deliver profitable double digit growth in the wholesale segment. Pricing and product mix is continually being improved to ensure profitability across all business lines and partner agreements, while remaining competitive. Further measures for balancing profitability and growth have been implemented during the first quarter.

OUTLOOK

The focus for Insr in 2018 will be integration and profitable growth. Migration to one core IT system and joint work processes will be completed in second half of 2018.

Insr expects continued organic portfolio growth in the rest of 2018. The quality of the insurance portfolio is expected to keep improving, as a result of the continuous focus on pricing and pruning measures. Cost synergies will continue to gradually materialize in the financials, which together with stringent cost control facilitates profitable growth.

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 162% as of 31 March, 2018. The company will optimize capital management with a sustainable solvency margin above 130% going forward.

Oslo, May 15th, 2018

The Board of Directors
Insr Insurance Group ASA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED FOR THE PERIOD ENDED 31 MARCH 2018

Consolidated Income Statement				
		(NOK 1,000)		
	Note	Q1 2018	Q1 2017	FY 2017 ¹
Premium income				
	3			
Gross premium earned		338 944	163 391	714 219
Reinsurance share		(190 101)	(126 358)	(461 034)
Premium earned for own account		148 842	37 033	253 185
Other insurance-related income		1 691	1 868	2 207
Claims				
	3			
Gross claims incurred		(295 369)	(129 139)	(499 561)
Reinsurance share of gross claims incurred		169 585	95 757	315 414
Claims incurred for own account		(125 784)	(33 383)	(184 147)
Operating expenses				
Sales costs		(40 391)	(19 052)	(135 978)
Insurance-related administration costs		(51 623)	(31 236)	(230 784)
Commission received		41 629	25 726	87 011
Total operating expenses for own account		(50 386)	(24 562)	(279 751)
Unexpired risk		-	-	(1 041)
Technical result		(25 637)	(19 043)	(209 547)
Non-technical result				
Investment income		1 830	857	3 189
Interest paid		(1 290)	(1 367)	(5 403)
Non-technical result		(540)	(510)	(2 213)
Result before tax		(25 097)	(19 553)	(211 760)
Tax		-	-	-
Result before comprehensive income and expenses		(25 097)	(19 553)	(211 760)
Comprehensive income and expenses				
Currency effects		340	(2 079)	5 922
Total comprehensive income and expenses		340	(2 079)	5 922
Net result		(24 757)	(21 632)	(205 838)

¹ 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	Q1 2018	Q1 2017	31.12.2017
Intangible assets				
Goodwill		219 432	64 810	219 432
Other intangible assets	4	91 284	56 989	96 197
Total intangible assets		310 716	121 798	315 629
Investments				
Investments in shares		2 602	363	2 607
Bonds and other fixed-income securities	6	487 615	239 857	425 911
Total investments		490 217	240 219	428 518
Reinsurance share of gross technical provisions				
Reinsurance share of gross premium provisions		395 782	233 779	437 395
Reinsurance share of non-adjusted risk		2 379	3 753	2 379
Reinsurance share of gross claims provisions		440 479	342 356	430 766
Total reinsurance share of gross technical provisions		838 640	579 888	870 540
Receivables				
Receivables in connection with direct insurance and reinsurance		591 237	246 095	578 685
Other receivables		7 329	72 213	55 253
Total receivables		598 566	318 309	633 938
Other assets				
Plant and equipment		11 131	3 463	11 173
Cash and cash equivalents		174 154	125 244	199 383
Total other assets		185 286	128 707	210 556
Prepaid expenses and earned income not received				
Prepaid costs and earned income not received		10 558	1 850	12 292
Total prepaid expenses and earned income not received		10 558	1 850	12 292
Total assets		2 433 983	1 390 772	2 471 473

Consolidated Statement of Financial Position		(NOK 1,000)		
EQUITY AND LIABILITIES	Note	Q1 2018	Q1 2017	31.12.2017
Paid-in equity				
Share capital		107 759	50 229	107 759
Share premium		1 449 333	1 015 919	1 449 333
Other paid-in-equity		7 933	6 177	7 933
Total paid-in equity		1 565 024	1 072 325	1 565 024
Provision for Guarantee scheme		54 923	23 500	54 923
Provision for Natural perils pool		20 649	-	27 740
Other equity		(1 188 428)	(919 858)	(1 170 843)
Total equity	2	452 169	175 967	476 844
Subordinated loan		74 183	73 959	74 156
Technical provisions				
Gross premium reserve		726 361	319 442	719 613
Unexpired risk reserve		4 671	5 005	4 671
Gross claims reserve		706 901	432 421	665 667
Total technical provisions		1 437 933	756 868	1 389 951
Financial liabilities				
Pension liabilities		2 939	-	2 939
Other liabilities		134 809	12 468	115 915
Liabilities in connection with direct insurance and reinsurance		198 720	231 864	240 972
Total financial liabilities		333 528	244 332	359 826
Premium deposits from reinsurance companies		7 302	-	7 290
Accrued costs and received unearned income				
Accrued costs and received unearned income		125 928	139 647	163 407
Total accrued costs and received unearned income		125 928	139 647	163 407
Total liabilities		1 981 814	1 214 805	1 994 630
Total equity and liabilities		2 433 983	1 390 772	2 471 473

Consolidated statement of cash flow		(NOK 1,000)		
	Q1 2018	Q1 2017	FY 2017	
Cash flow from operations				
Paid-in premium	374 325	164 178	655 457	
Paid claims	(247 677)	(117 238)	(513 241)	
Paid reinsurance	(10 531)	45 874	68 160	
Other paid operating expenses incl. interest	(78 476)	(72 287)	(243 050)	
Net cash flow from operations	37 640	20 527	(32 674)	
Cash flow from investment activities				
Acquisition of assets	(2 869)	-	106	
Investment in money market funds	(60 000)	(120 857)	(173 303)	
Acquisition of subsidiaries	-	-	(248 748)	
Investment in shares	-	-	(2 000)	
Net cash flow from investment activities	(62 869)	(120 857)	(421 945)	
Cash flow from financing activities				
Proceeds from issued capital	-	122 985	523 928	
Net cash flow from financing activities	-	122 985	523 928	
Currency effects on cash and cash equivalents	-	857	5 811	
Cash and cash equivalents in acquired company per 30.11.2017			22 531	
Net cash flow for the period	(25 229)	23 512	97 651	
Hereof discontinued operations	-	(9 536)	-	
Net cash flow				
Cash and cash equivalents at the beginning of the period	199 383	101 732	101 732	
Cash and cash equivalents at the end of the period	174 155	125 244	199 383	
Net cash flow for the period	(25 229)	23 512	97 651	
Cash in bank	174 155	125 244	199 383	

Consolidated statement of changes in equity							(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural Perils Pool	Guarantee scheme	Total
Equity as at 1 January 2017	35 829	907 334	5 536	(904 310)	-	21 966	66 356
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 in Q1 2017				(1 534)		1 534	-
Result before OCI				(19 549)			(19 549)
Other result components (net after tax)				(2 079)			(2 079)
Option expenses			641				641
Equity as at 31 March 2017	50 229	1 015 919	6 177	(927 472)	-	23 500	168 354
Equity as at 1 April 2017	50 229	1 015 919	6 177	(927 472)	-	23 500	168 354
Increase in equity	662						662
Subscribed equity		5 132					5 132
Cost related to capital issue		(2 015)					(2 015)
Changes in provisions in Q2 2017				(1 391)		1 391	-
Result before OCI				(14 906)			(14 906)
Other result components (net after tax)				1 585			1 585
Option expenses			554				554
Equity as at 30 June 2017	50 891	1 019 036	6 731	(942 184)	-	24 891	159 366
Equity as at 1 July 2017	50 891	1 019 036	6 731	(942 184)	-	24 891	159 366
Changes in provisions				(400)		400	-
Profit before OCI				(27 064)			(27 064)
Other result components (net after tax)				2 083			2 083
Other expenses			392				392
Equity as at 30 September 2017	50 891	1 019 036	7 123	(967 565)	-	25 291	134 777
Equity as at 1 October 2017	50 891	1 019 036	7 123	(967 565)	-	25 291	134 777
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	-
Profit before OCI				(150 241)			(150 241)
Other result components (net after tax)				4 333			4 333
Option Expenses			811				811
Equity as at 31 December 2017	107 759	1 449 333	7 933	(1 170 843)	27 740	54 923	476 844
Equity as at 1 January 2018	107 759	1 449 333	7 933	(1 170 843)	27 740	54 923	476 844
Increase in equity							
Subscribed equity							
Cost related to capital issue							
Change in Natural Perils Pool capital				(7 091)	7 091		
Profit before OCI				(24 677)			(24 677)
Other result components (net after tax)							
Option Expenses							
Equity as at 31 March 2018	107 759	1 449 332	7 933	(1 188 429)	20 649	54 923	452 169

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)	Q1 2018	Q1 2017	FY 2017
Gross premium earned	326 240	150 438	665 890
Premium earned f.o.a.	141 187	33 923	237 153
Other income	1 691	1 868	1 166
Incurring claims and operating expenses f.o.a.	(167 726)	(53 735)	(438 152)
Technical result	(24 849)	(17 944)	(199 832)
Cost Ratio f.o.a.	32%	72%	113%
Loss Ratio f.o.a.	87%	88%	72%
Net Combined Ratio	119%	160%	185%

Denmark (NOK 1,000)	Q1 2018	Q1 2017	FY 2017
Gross premium earned	12 703	12 953	48 329
Premium earned f.o.a.	7 656	3 110	16 032
Other income	-	-	-
Incurring claims and operating expenses f.o.a.	(8 443)	(4 209)	(25 746)
Technical result	(788)	(1 099)	(9 714)
Cost Ratio f.o.a.	73%	35%	69%
Loss Ratio f.o.a.	37%	100%	91%
Net Combined Ratio	110%	135%	160%

NOTE 3 Intangible assets

Goodwill of NOK 219.4 million relates to the purchase of Vardia Norge and Nemi. Intangible assets of NOK 91.3 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 31 March 2018, no options had dilutive effect, and diluted earnings per share equal earnings per share.

(NOK 1,000)	Q1 2018	Q1 2017	FY 2017
Result from operations	(24 757)	(21 632)	(205 838)
Earnings per share	(0.36)	(0.43)	(2.97)

NOTE 5 Bonds and other fixed-income securities

The value of the portfolio by end of March 2018 was NOK 488 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.

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.

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

Annual General Meeting	23 May 2018
Q2 2018 Results	14 August 2018
Q3 2018 Results	13 November 2018

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