

# INSR INSURANCE GROUP ASA

INTERIM REPORT

FOURTH QUARTER  
AND FULL YEAR 2017

i n s r  
u e

# HIGHLIGHTS

- Nemi transaction on track. All regulatory approvals granted
- Ambitious Nemi integration plan proceeding rapidly
  - 80% of synergy potential implemented
  - Staff reduction 36%
  - Combined 50% reinsurance program placed
- Strong underlying business
  - Solid underwriting result with gross loss ratio at 71.4%
  - Portfolio growth continues at 4.1% quarter on quarter
- Loss of NOK 145.9 million with NOK 150.8 million in non-recurring items and periodisation (synergy take out cost; NOK 45.7 million, goodwill and intangible write-offs; NOK 79.7 million, periodisation effects; NOK 25.4 million)
- Solvency margin: 185%

## CONSOLIDATED KEY FIGURES

<i>(MNOK except otherwise stated)</i>	<b>Q4 2017</b>	Q4 2016	FY 2017	FY 2016 <sup>1</sup>
Gross premium earned <sup>2</sup>	228.8	203.9	716.4	821.7
Gross claims incurred	(162.7)	(133.4)	(499.6)	(615.7)
Sales costs	(65.4)	13.4	(136.0)	(114.3)
Administration costs	(142.3)	(97.7)	(230.8)	(204.6)
<b>Gross underwriting result</b>	<b>(141.6)</b>	<b>(13.8)</b>	<b>(149.9)</b>	<b>(112.9)</b>
<i>Gross to net adjustment</i>				
Reinsurance share of premium	(134.3)	(135.4)	(461.0)	(582.8)
Reinsurance share of claims	100.7	113.7	315.4	456.8
Commissions received	25.7	20.6	87.0	101.9
<b>Reinsurers' result</b>	<b>7.9</b>	<b>1.1</b>	<b>58.6</b>	<b>24.1</b>
<b>Net underwriting result</b>	<b>(149.5)</b>	<b>(14.8)</b>	<b>(208.5)</b>	<b>(137.1)</b>
Other items <sup>3</sup>	3.6	(12.5)	2.7	131.4
<b>Result from operations</b>	<b>(145.9)</b>	<b>(27.3)</b>	<b>(205.8)</b>	<b>(9.6)</b>
<b>Solvency ratio</b>	<b>185%</b>	<b>165%</b>		

1) Numbers have been restated and are excluding Sweden

2) Includes other insurance related income

3) Includes non-technical result, tax, exchange rate differences, non adjusted risk, other income and costs, profit for discontinued operations FY 2016

---

## Transformational fourth quarter

Insr's underlying insurance business is strong. Gross loss ratio was 69.9% for the full year of 2017, a significant improvement on 75.2% for 2016. The improved underwriting result prove effective the pricing and pruning measures implemented over the past quarters; a more favorable customer and product mix, as well as a sustainable premium level. Organic premium portfolio growth continued during the quarter for the legacy Insr portfolio, and the premium portfolio doubled with the inclusion of Nemi.

Permission for merging Insr and Nemi was received February 27<sup>th</sup>, and the legal merger is expected to complete early second quarter 2018. The acquisition rationale remains strong, and integration is proceeding according to plan, with 80% of communicated synergy potential already implemented.

There are substantial non-recurring items this quarter, amounting to NOK 150.8 million, related to synergy take-out costs (NOK 45.7 million), balance sheet clean-up (NOK 79.7 million) and periodisation (NOK 25.4 million). In addition, reinsurance commissions reserves were restated after a thorough balance sheet review for years 2012 to 2017, reducing commission income in the third quarter 2017 with NOK 35.9 million and NOK 7.6 million was recorded directly against equity. Reference is made to note 2 for further details regarding the reinsurance reserve restatement. The solvency margin of the group is not impacted by losses from writing down intangible assets or periodisation and remains at 185%.

## INTEGRATION UPDATE

Before the acquisition, both Insr and Nemi had sound businesses as measured by e.g. the respective claims ratios and distribution capabilities. Both companies also have extensive and viable external networks of distribution partners. However, administrative costs necessary to run a full insurance operation were too high to carry for the small portfolios. Through removing duplicate functions and systems, the cost of running the joint portfolio is significantly lower than for running the two portfolios separately.

The ambitious integration plan is progressing according to plan, with the cost base reducing correspondingly fast. More than NOK 50 million of estimated NOK 60 million in annual synergies are already implemented. The synergy take-out cost of NOK 45.7 million includes IT migration.

The new organisation is co-located in one office, and the offices in Porsgrunn and Vika are in the process of being closed. When all agreed staff reductions take effect, the number of employees are down 36% compared to September 30<sup>th</sup> 2017. The majority of employees affected by staff reductions have already left the group. As regards systems and infrastructure, the group has decided to use Nemi's core IT system going forward, resulting in a more robust and flexible platform. Continued

focus on renegotiating service and purchasing contracts, and general cost saving measures, is expected to further improve the overall cost base.

To finance the Nemi transaction, and to strengthen Insr’s capital position, a private placement was successfully made on August 29<sup>th</sup> 2017, raising gross proceeds of NOK 400.4 million on November 29<sup>th</sup>. A repair issue was conducted after the closing of the transaction, raising additional gross proceeds of NOK 7.2 million. The added funds have enabled Insr to reduce reinsurance and successfully place a joint reinsurance program with 50% cession from January 1<sup>st</sup> 2018. The new reinsurance program doubles retained premium in Nemi and optimises Insr’s insurance portfolio risk-taking to its capitalisation. Annual savings of NOK 17 million in improved reinsurance terms have been captured. Thus, savings are already close to the communicated potential of NOK 20 million annual improvements in other areas than administrative costs.

## GROUP PERFORMANCE

*(Figures in brackets are for same period prior year unless otherwise stated)*

### Results

#### Fourth quarter 2017

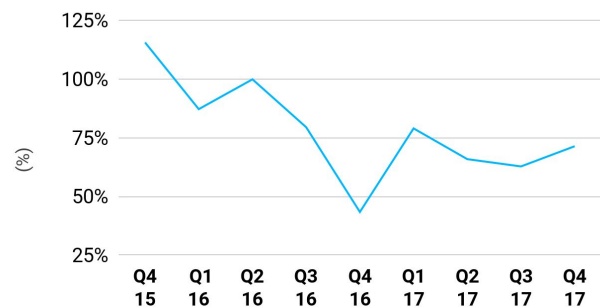
Insr Insurance Group ASA (Insr) reported a gross loss ratio for the fourth quarter of 71.4% (43.4%). (The Q4 '16 ratio was low due to a claims provision reduction.)

Gross cost ratio was 91.1% (41.5%), corresponding to gross operating expenses of NOK 207.7 million (NOK 84.3 million).

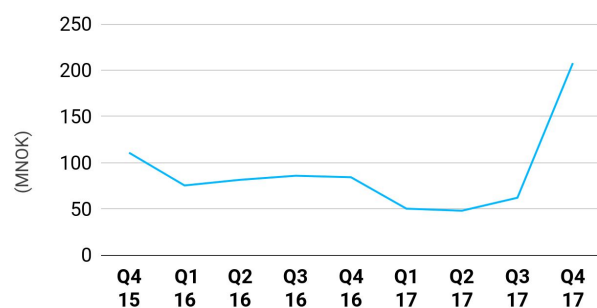
Gross operating expenses include synergy take-out costs of NOK 45.7 million, and balance-sheet write-offs of NOK 79.7 million. Insr is migrating to Nemi’s systems quickly, hence intangible assets related to Insr’s current core system, CPS, were written off. In addition, to start the merged company on a solid foundation, stringent impairment tests were applied to old goodwill. Adjusted for these non-recurring items, underlying administrative costs, including sales costs, were NOK 82.3 million, resulting in an underlying cost ratio of 36.1%.

In addition, periodisation effects increase sales and claims handling costs with NOK 25.4 million due to (i) the commission structure on wholesale combined with a growing wholesale portfolio and (ii) revising internal pricing to subsidiaries in Q4 '16. True underlying sales and loss ratios are therefore somewhat better than reported.

Gross loss ratio



Gross operating expenses



The non-recurring items described above and the extraordinary effect on claims in Q4 '16 explain the significant year-on-year increase in the gross combined ratio for the quarter; 162.6% (84.8%). Loss ratio for own account was 66.2% (28.9%); slightly below the gross loss ratio. The cost ratio for own account was 194.5% (93.9%), corresponding to total operating expenses for own account of NOK 182.0 million (NOK 63.7 million). Total operating expenses for own account include NOK 150.8 million in non-recurring items, including synergy take-out costs, balance-sheet clean-up and periodisation effects from wholesale commissions. Combined ratio for own account was 260.7 % (122.8%). The administration does not foresee further significant discoveries related to past accounts. Only limited additional synergy take-out costs are expected.

Technical result for the quarter was a loss of NOK 149.6 million (loss of NOK 16.1 million).

Net income from financial assets amounted to NOK 0.5 million (NOK 1.6 million); net interest paid were NOK 1.2 million (NOK 15.5 million) and exchange rate differences were NOK 4.3 million (NOK 1.6 million).

Result from operations for the quarter was a loss of NOK 145.9 million (loss of NOK 27.3 million).

### Full year 2017

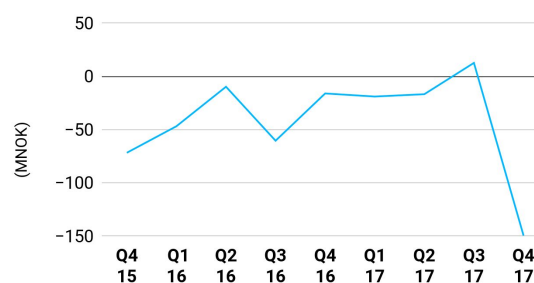
For the full year 2017, the gross loss ratio was 69.9% (75.2%).

Reinsurance commission reserves were restated after a thorough balance sheet review for years 2012 to 2017, reducing commission income with NOK 35.9 million in the third quarter 2017. In addition, NOK 7.6 million was recorded directly against equity. The update of estimates from third quarter 2017 is reversed. Hence, the full year effect is zero. Technical result for 2017 was a loss of NOK 209.5 million (loss of NOK 138.3 million), primarily driven by non-recurring items in Q4 described above.

Result from operations was a loss of NOK 205.8 million (loss of NOK 27.3 million). Result from operations in 2016 included the sale of Insr's Swedish portfolio.

The reinsurers earned NOK 58.6 million on Insr in 2017, i. e. the gross result was better than the net result by this amount.

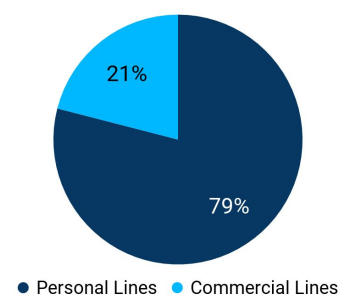
Technical result



## Premium income

<i>(MNOK except otherwise stated)</i>	Q4 2017	Q4 2016	FY 2017	FY 2016 <sup>1</sup>
Gross premium written	260.8	177.2	736.4	723.9
Norway	249.2	166.9	688.0	670.0
Denmark	11.6	11.6	48.3	53.9
Premium earned f.o.a.	93.6	67.8	253.2	227.2
Norway	88.7	65.3	237.2	213.0
Denmark	4.8	2.5	16.0	14.3
Portfolio	1 354.5	718.9		
Norway	1 304.9	666.5		
Denmark	49.6	52.4		

Portfolio Q4 2017



<sup>1</sup> Numbers are excluding discontinued operations related to the sale of the Swedish portfolio.

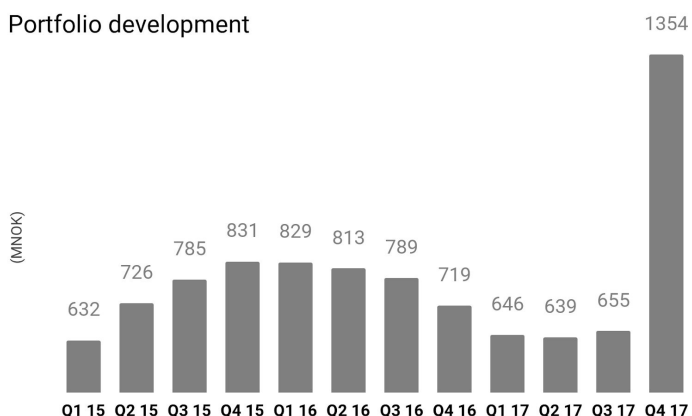
### Fourth quarter 2017

Gross premium written amounted to NOK 260.8 million (NOK 177.2 million) during the fourth quarter, including NOK 59.9 million written in Nemi during December. Premium written in legacy Insr grew by NOK 43.4 million compared to previous quarter. The decline in 2016 and first half year of 2017 was caused by reorganised distribution as well as portfolio repricing and pruning.

Reduced quota reinsurance share, effective from 1 April 2017, increased premium earned for own account. Therefore premium earned for own account improved compared to the same period last year, with NOK 93.6 million compared to NOK 67.8 million. NOK 14.5 million of premiums earned for own account were earned in Nemi.

The portfolio as of 31 December 2017 was NOK 1 354.5 million (NOK 718.9 million). Of this, the Nemi portfolio amounted to NOK 672.3 million. Compared to the third quarter 2017, the legacy Insr portfolio increased with 4.1% from NOK 655.2, making the fourth quarter the second consecutive quarter with organic growth.

Portfolio development



In addition to higher average prices, the portfolio exposure has been successfully shifted towards a more favorable customer and product mix. Personal line premium increased to 79% (74%) of the portfolio at the end of the fourth quarter.

### Full year 2017

Gross premium written for 2017 amounted to NOK 736.4 million (NOK 736.7 million). Gross premium earned and premium earned for own account came to respectively NOK 714.2 million (NOK 819.0 million) and NOK 253.2 million (NOK 236.2 million). Gross premium earned reflects premium written in earlier periods, and is therefore still below same period last year. The growth in premium earned for own account reflects the reduced reinsurance share.

---

## Financial position and liquidity

### Consolidated cash flow

#### Fourth quarter 2017

Cash flow from operations amounted to negative NOK 79.8 million (positive NOK 14.1 million). This includes refunding NOK 83.5 million reinsurance funds related to the sold Swedish portfolio. Without this extraordinary cash flow, the operating cash flow would have been positive NOK 1.7 million, reflecting a. o. synergy take-out costs.

Investment cash flow was negative NOK 333.4 million (positive NOK 34.1 million), primarily paying Alpha for the purchase of Nemi. Cash flow from financing activities was positive NOK 397.2 million; proceeds from private placement and subsequent offering of shares.

The group recorded cash and cash equivalents of NOK 190.9 million as of 31 December 2017 (NOK 101.7 million).

#### Full year 2017

Cash flow from operations was negative NOK 21.6 million (negative NOK 124.8 million). Cash flow from investment activities was negative NOK 413.2 million (positive NOK 102.9 million), due to both acquiring Nemi and placing funds. Cash flow from financing activities was positive NOK 523.9 million (NOK 0 million); proceeds from two private placements with subsequent repair offerings of shares.

### Consolidated financial position and solvency capital

As of 30 December 2017, total assets amounted to NOK 2 471.5 million (NOK 1 281.9 million). Total equity amounted to NOK 476.9 million (NOK 66.4 million).

The solvency ratio at the end of the quarter was 185% (165%), significantly above the regulatory requirement of 100%. The solvency capital requirement as of December 31<sup>th</sup> 2017 was NOK 220 million (NOK 119 million). (The solvency position this quarter was calculated and reported for Insr as a group. After the legal merger, reporting will revert to being for Insr Insurance Group ASA.)

---

## STRATEGIC UPDATE

Insr has successfully established itself as a wholesale insurer, offering underwriting capabilities and capacity, as well as claims handling, for a wide range of white label distribution partners who wish to offer insurance solutions to their customers under their own brands. Insr's main focus going forward is to deliver profitable double digit growth in this segment in the medium term. The company expects to benefit from continued price discipline and limited contribution to value-chain break-up from incumbents. Insr's platform as a regulated insurance company will continually be developed, and partnerships will be expanded.

The Nemi acquisition fits well with Insr's distribution strategy. The strong tied agent network/franchise channel of Nemi is in the process of being merged with Insr's Vardia branded tied agent network. Nemi has a strong brand awareness and a good standing on customer rankings like bytt.no. In order to simplify our customer communication and operations of the tied agent network, and capture potential benefits from the solid Nemi brand, the Vardia brand will be phased out, and the tied agent network will operate jointly under the Nemi umbrella.

We continue improving pricing and product mix to ensure profitability across all business lines, while remaining competitive. To be able to further develop the platform for profitable growth, Insr will invest in customer insight going forward.

As a result of the increased net premium portfolio stemming from the Nemi transaction, reduced reinsurance quota share, and organic premium portfolio growth, the company also sees a significant increase in assets under management.



---

# OUTLOOK

The focus for Insr in 2018 will be integration and profitable growth.

The legal merger with Nemi is expected to close early second quarter 2018. Migration to one core IT system and joint work processes will be completed in second half of 2018.

With the wholesale business fully operational, Insr expects continued portfolio growth in 2018. The quality of the insurance portfolio is expected to keep improving, as a result of the continuous focus on pricing and pruning measures. This, coupled with continued cost reductions and realization of synergies, establishes a strong base for underwriting profitability.

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 185% as of 31 December, 2017. The company will optimize capital management with a sustainable solvency margin above 130% going forward.

Oslo, 27 February 2018

The Board of Directors  
Insr Insurance Group ASA

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED FOR THE PERIOD ENDED 31 DECEMBER 2017

Consolidated Income Statement					(NOK 1,000)
	Note	Q4 2017 <sup>2</sup>	Q4 2016	FY 2017 <sup>2</sup>	FY 2016 <sup>1</sup>
<b>Premium income</b>					
	3				
Gross premium earned		227 846	203 267	714 219	818 953
Reinsurance share		(134 289)	(135 437)	(461 034)	(582 775)
<b>Premium earned for own account</b>		<b>93 557</b>	<b>67 830</b>	<b>253 185</b>	<b>236 178</b>
<b>Other insurance-related income</b>					
		<b>935</b>	<b>645</b>	<b>2 207</b>	<b>2 740</b>
<b>Claims</b>					
	3				
Gross claims incurred		(162 697)	(133 357)	(499 561)	(615 692)
Reinsurance share of gross claims incurred		100 737	113 742	315 414	456 752
<b>Claims incurred for own account</b>		<b>(61 960)</b>	<b>(19 615)</b>	<b>(184 147)</b>	<b>(158 941)</b>
<b>Operating expenses</b>					
Sales costs		(65 419)	13 414	(135 978)	(114 314)
Insurance-related administration costs		(142 258)	(97 740)	(230 784)	(204 597)
Commission received		25 694	20 639	87 011	101 875
<b>Total operating expenses for own account</b>		<b>(181 984)</b>	<b>(63 686)</b>	<b>(279 751)</b>	<b>(217 035)</b>
<b>Net non-adjusted risk</b>					
		(100)	(1 251)	(1 041)	(1 251)
<b>Technical result</b>					
		<b>(149 552)</b>	<b>(16 078)</b>	<b>(209 547)</b>	<b>(138 309)</b>
<b>Non-technical result</b>					
Net income from financial assets		463	1 574	3 189	4 004
Net interest		(1 153)	(15 515)	(5 402)	(15 515)
<b>Non-technical result</b>		<b>(689)</b>	<b>(13 941)</b>	<b>(2 213)</b>	<b>(11 511)</b>
<b>Result before tax</b>					
		<b>(150 241)</b>	<b>(30 019)</b>	<b>(211 760)</b>	<b>(149 821)</b>
Tax					
					-
<b>Result from continued operations</b>					
		<b>(150 241)</b>	<b>(30 019)</b>	<b>(211 760)</b>	<b>(149 821)</b>
Result from discontinued operations	8		1 091		137 221
<b>Result before comprehensive income and expenses</b>		<b>(150 241)</b>	<b>(28 928)</b>	<b>(211 760)</b>	<b>(12 600)</b>
<b>Comprehensive income and expenses</b>					
Exchange rate differences		4 333	1 623	5 922	2 983
<b>Total comprehensive income and expenses</b>		<b>4 333</b>	<b>1 623</b>	<b>5 922</b>	<b>2 983</b>
<b>Result from operations</b>					
		<b>(145 909)</b>	<b>(27 305)</b>	<b>(205 838)</b>	<b>(9 617)</b>

<sup>1</sup> Numbers are excluding discontinued operations related to the sale of the Swedish portfolio.

<sup>2</sup> Nemi is included in the figures from 1 December, as the purchase closed 30 November.

<b>Consolidated Statement of Financial Position</b>			(NOK 1,000)	
<b>ASSETS</b>	<b>Note</b>	<b>FY 2017</b>	<b>FY 2016</b>	
<b>Intangible assets</b>				
Goodwill		219 432	64 810	
Other intangible assets	4	96 197	60 247	
<b>Total intangible assets</b>		<b>315 629</b>	<b>125 056</b>	
<b>Investments</b>				
Investments in shares and parts		2 607	363	
Bonds and other fixed-income securities	6	425 911	119 001	
Other financial assets		8 480	-	
<b>Total investments</b>		<b>436 998</b>	<b>119 364</b>	
<b>Reinsurance share of gross technical provisions</b>				
Reinsurance share of gross premium provisions		437 395	252 222	
Reinsurance share of non-adjusted risk		2 379	3 753	
Reinsurance share of gross claims provisions		430 766	345 281	
<b>Total reinsurance share of gross technical provisions</b>		<b>870 540</b>	<b>601 256</b>	
<b>Receivables</b>				
Receivables in connection with direct insurance and reinsurance		578 685	270 903	
Other receivables		55 245	56 118	
<b>Total receivables</b>		<b>633 930</b>	<b>327 021</b>	
<b>Other assets</b>				
Plant and equipment		5 262	3 844	
Cash and cash equivalents		190 903	101 732	
Other assets		5 911	-	
<b>Total other assets</b>		<b>202 075</b>	<b>105 576</b>	
<b>Prepaid expenses and earned income not received</b>				
Prepaid costs and earned income not received		12 293	3 632	
<b>Total prepaid expenses and earned income not received</b>		<b>12 293</b>	<b>3 632</b>	
<b>Total assets</b>		<b>2 471 466</b>	<b>1 281 905</b>	

<b>Consolidated Statement of Financial Position</b>			(NOK 1,000)
<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>FY 2017</b>	<b>FY 2016</b>
<b>Paid-in equity</b>			
Share capital		107 759	35 829
Share premium		1 449 333	907 334
Other paid-in-equity		7 933	5 536
<b>Total paid-in equity</b>		<b>1 565 024</b>	<b>948 699</b>
Provision for Guarantee scheme		28 023	21 966
Provision for Natural perils pool		27 740	-
Other equity		(1 143 943)	(904 310)
<b>Total equity</b>	2	<b>476 844</b>	<b>66 355</b>
<b>Subordinated loan</b>		<b>74 156</b>	<b>73 959</b>
<b>Technical provisions</b>			
Gross premium reserve		719 613	341 073
Non-adjusted risk		4 671	5 004
Gross claims reserve		665 667	438 285
<b>Total technical provisions</b>		<b>1 389 951</b>	<b>784 362</b>
<b>Financial liabilities</b>			
Pension liabilities		2 939	-
Other liabilities		115 918	85 224
Liabilities in connection with direct insurance and reinsurance		240 972	212 728
<b>Total financial liabilities</b>		<b>356 890</b>	<b>297 952</b>
<b>Premium deposits from reinsurance companies</b>		<b>7 290</b>	<b>-</b>
<b>Accrued costs and received unearned income</b>			
Accrued costs and received unearned income		163 395	59 277
<b>Total accrued costs and received unearned income</b>		<b>163 395</b>	<b>59 277</b>
<b>Total liabilities</b>		<b>1 994 621</b>	<b>1 215 550</b>
<b>Total equity and liabilities</b>		<b>2 471 466</b>	<b>1 281 905</b>

<b>Consolidated statement of cash flow</b>				(NOK 1,000)
	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>FY 2017</b>	<b>FY 2016</b>
<b>Cash flow from operations</b>				
Paid-in premium	174 879	193 584	632 045	1 061 090
Paid claims	(130 026)	(114 368)	(439 903)	(770 562)
Paid reinsurance*	(44 557)	69 506	95 005	57 567
Other paid operating expenses incl. interest	(80 071)	(134 614)	(308 721)	(472 914)
<b>Net cash flow from operations*</b>	<b>(79 775)</b>	<b>14 108</b>	<b>(21 573)</b>	<b>(124 819)</b>
<b>Cash flow from investment activities</b>				
Payment from sale of portfolio	-	-	-	30 676
Acquisition of subsidiaries	(230 000)	-	(232 015)	(14 212)
Investments in money market funds	(103 446)	34 103	(181 169)	70 997
Payments on loans to management (Sweden)	-	-	-	15 468
<b>Net cash flow from investment activities</b>	<b>(333 446)</b>	<b>34 103</b>	<b>(413 184)</b>	<b>102 929</b>
<b>Cash flow from financial activities</b>				
Proceeds from issued capital	397 164	-	523 928	-
<b>Net cash flow from financial activities</b>	<b>397 164</b>	<b>-</b>	<b>523 928</b>	<b>-</b>
Exchange rate differences on cash and cash equivalents	-	(2 867)	-	(2 867)
<b>Net cash flow for the period*</b>	<b>(16 058)</b>	<b>45 345</b>	<b>89 172</b>	<b>(24 757)</b>
Hereof discontinued operations	-	(9 536)	-	-
<b>Net cash flow</b>				
Cash and cash equivalents at the beginning of the period	206 961	56 387	101 732	126 508
Cash and cash equivalents at the end of the period	190 903	101 732	190 903	101 732
<b>Net cash flow for the period*</b>	<b>(16 058)</b>	<b>45 345</b>	<b>89 171</b>	<b>(24 776)</b>
<b>Specification of cash and cash equivalents</b>				
Cash and cash equivalents	190 903	101 732	190 903	101 732
<b>Total cash and cash equivalents</b>	<b>190 903</b>	<b>101 732</b>	<b>190 903</b>	<b>101 732</b>

\* Includes refunding NOK 83.5 million reinsurance funds related to the sold Swedish portfolio

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 1 January 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>4 081</b>	<b>(887 144)</b>	-	<b>14 435</b>	<b>74 535</b>
Changes in provisions in Q1 2016				(1 902)		1 902	-
Result before OCI				(46 323)			(46 323)
Other result components (net after tax)				(29)			(29)
Option expenses			401				401
Result from discontinued operations				(6 691)			(6 691)
<b>Equity as at 31 March 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>4 482</b>	<b>(942 089)</b>	-	<b>16 337</b>	<b>21 892</b>
<b>Equity as at 1 April 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>4 482</b>	<b>(942 089)</b>	-	<b>16 337</b>	<b>21 892</b>
Changes in provisions in Q2 2016				(1 766)		1 766	-
Result before OCI				(12 953)			(12 953)
Option expenses			1 054				1 054
Result from discontinued operations				143 912			143 912
Other expenses				(109)			(109)
<b>Equity as at 30 June 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(813 005)</b>	-	<b>18 103</b>	<b>153 796</b>
<b>Equity as at 1 July 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(813 005)</b>	-	<b>18 103</b>	<b>153 796</b>
Cost related to capital issue				(2 107)		2 107	-
Result before OCI				(60 553)			(60 553)
Other result components (net after tax)				1 498			1 498
<b>Equity as at 30 September 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(874 167)</b>	-	<b>20 210</b>	<b>94 741</b>
<b>Equity as at 1 October 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(874 167)</b>	-	<b>20 210</b>	<b>94 741</b>
Changes in provisions in Q4 2016				(1 756)		1 756	-
Result before OCI				(29 991)			(29 991)
Other result components (net after tax)				1 604			1 604
<b>Equity as at 31 December 2016</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(904 310)</b>	-	<b>21 966</b>	<b>66 356</b>
<b>Equity as at 1 January 2017</b>	<b>35 829</b>	<b>907 334</b>	<b>5 536</b>	<b>(904 310)</b>	-	<b>21 966</b>	<b>66 356</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 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
<b>Equity as at 31 March 2017</b>	<b>50 229</b>	<b>1 015 919</b>	<b>6 177</b>	<b>(927 472)</b>	-	<b>23 500</b>	<b>168 354</b>
<b>Equity as at 1 April 2017</b>	<b>50 229</b>	<b>1 015 919</b>	<b>6 177</b>	<b>(927 472)</b>	-	<b>23 500</b>	<b>168 354</b>
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
<b>Equity as at 30 June 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>6 731</b>	<b>(942 184)</b>	-	<b>24 891</b>	<b>159 366</b>
<b>Equity as at 1 July 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>6 731</b>	<b>(942 184)</b>	-	<b>24 891</b>	<b>159 366</b>
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
<b>Equity as at 30 September 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>7 123</b>	<b>(967 565)</b>	-	<b>25 291</b>	<b>134 777</b>
<b>Equity as at 1 October 2017</b>	<b>50 891</b>	<b>1 019 036</b>	<b>7 123</b>	<b>(967 565)</b>	-	<b>25 291</b>	<b>134 777</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				(30 472)	27 740	2 732	-
Profit before OCI				(150 241)			(150 241)
Other result components (net after tax)				4 333			4 333
Option Expenses			811				811
<b>Equity as at 31 December 2017</b>	<b>107 759</b>	<b>1 449 333</b>	<b>7 933</b>	<b>(1 143 943)</b>	<b>27 740</b>	<b>28 023</b>	<b>476 844</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 2016. For further information, reference is made to the 2016 annual report.

## NOTE 2 Correction of prior period errors

The group discovered during Q4 2017 that reinsurance liabilities was understated and that the commission reserve was overstated. The errors are mainly related to the following:

In Q3 2017 the estimated provision for earned provisions was revised. In Q4, management has concluded that the revision was based on incorrect calculations. The error has been corrected, reducing the opening balance for the equity as of 1st October of NOK 35.9 million and reducing the commissions received for Q3 2017 by the same amount.

Management also discovered during Q4 that earned commissions for 2016 for the Danish portfolio had not been recognised and that a revision of the estimate for the provision for earned commissions in Norway was overestimated.

In additions, management has concluded that ceded premiums and commissions have been overestimated for periods prior to 2016. The commissions were based on overly optimistic initial estimates of claim ratios which had not subsequently been revised.

The errors have been corrected by restating each of the affected financial statement lines for prior periods. The following table summarizes the impacts on the group's financial statements:

<b>Correction of errors in previous periods (NOK 1,000)</b>			
	<b>Impact correction of error</b>		
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
<b>1st January 2016</b>			
Other equity	(858 150)	(28 994)	(887 144)
<b>Total equity</b>	<b>103 529</b>	<b>(28 994)</b>	<b>74 535</b>
Liabilities in connection with direct insurance and reinsurance	345 320	40 066	385 386
Accrued costs and received unearned income	159 953	(11 072)	142 881
<b>Total liabilities</b>	<b>404 308</b>	<b>28 994</b>	<b>433 302</b>
<b>31st December 2016</b>			
Other equity	(896 696)	(7 614)	(904 310)
<b>Total equity</b>	<b>73 970</b>	<b>(7 614)</b>	<b>66 356</b>
Liabilities in connection with direct insurance and reinsurance	194 042	18 686	212 728
Accrued costs and received unearned income	70 349	(11 072)	59 277
<b>Total liabilities</b>	<b>279 266</b>	<b>7 614</b>	<b>286 880</b>
<b>1st October 2017</b>			
Other equity	(924 085)	(36 608)	(960 693)
<b>Total equity</b>	<b>178 257</b>	<b>(36 608)</b>	<b>141 649</b>
Liabilities in connection with direct insurance and reinsurance	238 955	18 686	257 641
Accrued costs and received unearned income	85 193	(11 072)	74 121
<b>Total liabilities</b>	<b>1 156 041</b>	<b>7 614</b>	<b>1 163 655</b>
		<b>Q4 2016</b>	
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
Commissions received	26 095	21 380	47 475
<b>Technical result</b>	<b>(34 651)</b>	<b>21 380</b>	<b>(13 271)</b>
		<b>YTD 2016</b>	
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
Commission received	80 495	21 380	101 875
<b>Technical result</b>	<b>(159 690)</b>	<b>21 380</b>	<b>(138 310)</b>



## NOTE 3 Segment information

Norway (NOK 1,000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Gross premium earned	216 271	193 203	665 890	765 095
Premium earned f.o.a.	88 708	65 486	237 153	222 050
Other income	835	-606	1 166	1 489
Incurred claims and operating expenses f.o.a.	(238 645)	(73 432)	(438 152)	(350 070)
<b>Technical result</b>	<b>(149 102)</b>	<b>(8 552)</b>	<b>(199 832)</b>	<b>(126 531)</b>
Cost Ratio f.o.a.	205.0%	88.1%	113.3%	91.6%
Loss Ratio f.o.a.	64.0%	24.0%	71.5%	66.1%
<b>Net Combined Ratio</b>	<b>269.0%</b>	<b>112.1%</b>	<b>184.8%</b>	<b>157.7%</b>

Denmark (NOK 1,000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Gross premium earned	11 575	10 063	48 329	53 858
Premium earned f.o.a.	4 849	2 344	16 032	14 128
Other income	-	-	-	-
Incurred claims and operating expenses f.o.a.	(5 299)	(9 870)	(25 746)	(25 906)
<b>Technical result</b>	<b>(450)</b>	<b>(7 526)</b>	<b>(9 714)</b>	<b>(11 778)</b>
Cost Ratio f.o.a.	1.9%	256.2%	69.2%	96.8%
Loss Ratio f.o.a.	107.4%	165.0%	91.4%	86.6%
<b>Net Combined Ratio</b>	<b>109.3%</b>	<b>421.1%</b>	<b>160.6%</b>	<b>183.4%</b>

## NOTE 4 Other intangible assets

Goodwill of NOK 219.4 million relates to the purchase of Vardia Norge and Nemi. Changes in goodwill and intangible assets in the fourth quarter are related to the purchase of Nemi. The goodwill related to purchases of Rein and Saga has been tested and the company has decided to write down the total value. Intangible assets of NOK 96.2 are mainly intangible assets added to the group when purchasing Nemi, such as databases and customer relationships.

---

## NOTE 5 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.

(NOK 1,000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Result from operations	(145 908)	(27 305)	(205 838)	(9 617)
Earnings per share	(1.67)	(0.07)	(2.97)	(0.23)

### Earnings per share, diluted

When calculating diluted earnings per share, a time-weighted average of total outstanding shares through the quarter is adjusted for the effect of potential shares that can cause dilution. The Group has one category of potential shares that can cause dilution: stock options. The number of additional shares if all stock options were exercised is added.

(NOK 1,000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Result from operations	(145 908)	(27 305)	(205 838)	(9 617)
Weighted average of ordinary shares (in 1,000)	87 422	41 049	69 309	41 049
Adjusted for stock options (in 1,000)	88 932	44 787	70 819	44 787
Earnings per share diluted	(1.64)	(0.61)	(2.91)	(0.21)

Earnings per share diluted is earnings per share as it would be if all options were exercised.

## NOTE 6 Bond and other fixed-income securities

During the second quarter 2015, first and fourth quarter 2017, the company invested in low risk money market funds. The value of the portfolio by end of December 2017 was NOK 434 million. The funds are managed externally.

## 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 and 2016.

## NOTE 8 Discontinued operations

On 28 April 2016, Insr announced the sale of its Swedish insurance portfolio to Gjensidige. Hence, the Swedish portfolio is not included in the balance sheet for Q4 and full year 2016, and the related result for the portfolio is presented as "discontinued operations".

Discontinued operations (Sweden)	(NOK 1,000)		
	Q4 2017	Q4 2016	FY 2016
<b>Premium income</b>			
Gross premium earned	-	-	348 671
Reinsurance share	-	-	(272 765)
<b>premium earned for own account</b>	-	-	<b>75 906</b>
<b>Other insurance-related income</b>	-	-	-
<b>Claims</b>			
Gross claims incurred	-	-	(310 079)
Reinsurance share of gross claims incurred	-	-	233 208
<b>Claims incurred for own account</b>	-	-	<b>(76 871)</b>
<b>Operating expenses</b>			
Sales costs	-	-	(61 549)
Insurance-related administration costs	-	-	(23 256)
Commission received	-	-	60 062
<b>Total operating expenses for own account</b>	-	-	<b>(24 743)</b>
<b>Technical result</b>	-	-	<b>(25 708)</b>
<b>Net financial income</b>			
Income from sale of the Swedish portfolio	-	1 091	162 929
<b>Total financial income</b>	-	1 091	<b>162 929</b>
<b>Non-technical result</b>	-	1 091	<b>162 929</b>
<b>Result before components of comprehensive income</b>	-	1 091	<b>137 221</b>
<b>Result from discontinued operations</b>	-	1 091	<b>137 221</b>

---

# 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.

**Net non-adjusted risk:** If expected claims and claims handling costs for future claims related to insurance contracts effective at the reporting date exceeds the provision for unearned premium, the company determines a provision for net non-adjusted risk.

---

## 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>Annual Report</b>	31 March 2018
<b>Q1 2018 Results</b>	16 May 2018
<b>Annual General Meeting</b>	23 May 2018
<b>Q2 2018 Results</b>	15 August 2018
<b>Q3 2018 Results</b>	13 November 2018

## INVESTOR CONTACT

**Anne B. Knudtzon**

SVP Business Controlling & Investor Relations

T: +47 926 10 606

E: [anne.b.knudtzon@insr.io](mailto:anne.b.knudtzon@insr.io)