

# ANNUAL REPORT

2019



NORWEGIAN HULL CLUB



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**The Norwegian Hull Club Top Management Group** - (l-r) Per Gustav Blom, Atle Fjeldstad, Ole Jørgen Eikanger, Hilde Førland, Hans Christian Seim, Åge Solberg

# CEO'S REVIEW

It is impossible to review the past year without reflecting on the situation that is currently affecting most countries and industries: the spread of the coronavirus and the comprehensive measures taken around the globe to minimise the negative outcome.

Little did we know when reading about the first cases at the very beginning of 2020 that the world would look so different just a few months later; nevertheless, Norwegian Hull Club began preparing for an unusual Spring. A pro-active approach through preventive actions is the foundation of The Club's business model; yet again, it has proven to be worthwhile for the company.

The global consequences of the coronavirus are still to be seen. Tragically, however, it has already devastated so many lives around the world. Only time will tell the extent to which our industry will be affected.

## 2019 review

Each year, at the end of January, Norwegian Hull Club hosts a kick-off event for all employees. At the event in 2019, a revision of The Club's values was on the agenda – a group task that resulted in the launch of a new set of company values (following a strategy meeting in the following Autumn). These values represent what the company believes in today and, at the same time, provide guidelines for the way forward. Norwegian Hull Club's values are: Integrity, Sharing, Agile, Curious.

Norwegian Hull Club, together with its subsidiaries Marine Benefits and Insurance Technology Solutions, is known for being forward leaning; employees take pride in challenging convention and asking "Why?". Being curious has brought the company to where it is today and this quality will remain vital going forward. In a rapidly changing market, the winner will be the provider who succeeds in staying relevant to clients. This can only be done through listening, asking questions and understanding needs.

Being agile is the ability to turn this understanding into products and services that are relevant to both existing and potential new clients. To live up to these values will continue to be an important differentiator in the coming years.

Over the past two years, the marine insurance market has started to harden; this followed several years where The Club's business model was put to the test. Since mid-2018, more than 30 providers have either withdrawn from the marine insurance segment or closed down their business entirely. With less capital available, rates slowly increased throughout 2019. For Norwegian Hull Club, that meant a slight increase in volume, whilst expected loss ratio was slightly down. Unfortunately for The Club, 2019 was also a year characterised by the frequency of medium-sized claims, meaning the insurance result is much weaker than we would like.

Financially, we have the robustness to meet these variations but, from a preventive perspective, we are dedicated to learning from these incidents. Amongst the claims trends, we have seen an increase in engine room fires in recent years. Another claims trend is fire on ro-ro and passenger vessels. A united industry is striving to reveal both root causes and identify preventive measures from these cases.

Climate change and its effects are challenges that make a substantial impact both in the news and on our industry. IMO 2020 was implemented on 1st January. Whether a ship owner has chosen to install scrubbers or change to Low Sulphur Fuel, it is yet to be seen how this transition will affect the claims statistics in the months and years to come.

Going forward, Norwegian Hull Club expects climate risks, new legislations and global sustainable initiatives to continue to affect both shipping and marine insurance. The Club will continue to be forward leaning in its approach to emerging

risks as well as how to prevent and mitigate their negative outcomes.

To contribute to a more sustainable future for everyone, Norwegian Hull Club will continue to address material topics both on a corporate level and in joint-industry initiatives.

This year, as part of its Annual Report for 2019, The Club also publishes its first Sustainability Report. Norwegian Hull Club's mission is to secure lives, health, environment and property; a sustainable approach to emergency response and the claims handling process is, therefore, integrated in all employees and in Norwegian Hull Club's business model.

The process of developing the Sustainability Report has, however, made The Club more aware of how important this foundation is, while also allowing valuable reflection on how the company can improve through increased focus on sustainability in all business activities.

By issuing the Sustainability Report, Norwegian Hull Club also manifests its wish to be a sustainable, open and transparent industry player, as well as a long-term partner that clients can "Expect more" from.



**Hans Christian Seim**  
CEO



*"Being curious has brought the company to where it is today and this quality will remain vital going forward."*

# KEY FIGURES\*

All figures in USD 000's

	2019	2018	2017	2016	2015
Gross earned premiums	203 153	172 105	167 687	168 967	191 496
Gross claims	199 150	149 768	237 356	135 466	176 903
<b>Gross result</b>	<b>4 003</b>	<b>22 337</b>	<b>-69 668</b>	<b>33 501</b>	<b>14 593</b>
Premiums for own account	156 192	141 219	136 965	142 306	161 839
Claims for own account	-180 924	116 092	126 026	122 141	125 704
<b>Insurance result f.o.a.</b>	<b>-24 732</b>	<b>25 127</b>	<b>10 938</b>	<b>20 165</b>	<b>36 135</b>
Other income	6 760	7 168	8 142	6 981	7 991
Operating expenses	22 891	24 049	25 100	24 224	17 975
<b>Technical result f.o.a.</b>	<b>-40 863</b>	<b>8 246</b>	<b>-6 020</b>	<b>2 923</b>	<b>26 152</b>
<b>Net financial income</b>	<b>33 364</b>	<b>1 628</b>	<b>35 853</b>	<b>18 164</b>	<b>-17 614</b>
<b>Operating result</b>	<b>-7 499</b>	<b>9 874</b>	<b>29 833</b>	<b>21 087</b>	<b>8 539</b>
Total assets	746 955	720 390	681 826	671 572	664 975
Equity	301 263	303 691	294 671	270 508	257 700
Loss ratio for own account	116 %	82 %	92 %	87 %	78 %
Expense ratio	10 %	12 %	12 %	11 %	6 %
<b>Combined ratio</b>	<b>126 %</b>	<b>94 %</b>	<b>104 %</b>	<b>98 %</b>	<b>84 %</b>
Gross loss ratio	98 %	87 %	142 %	80 %	92 %
Return on investment portfolio	8 %	0	8.6 %	5.1 %	-2.6 %
Deviation from benchmark	-0.1 %	0.2 %	0.4 %	0.1 %	0

\*Figures in tables are before Return Premium



# COMPANY OVERVIEW OF THE YEAR

## Business Strategy

Norwegian Hull Club is a global mutual marine and energy insurer. Its business model and strategy both focus on providing an integrated claims-leader service, as well as diverse, innovative and competitive insurance solutions that cater to the needs of clients and members. This integrated claims-leader service includes - but is not limited to - efficient claims handling, emergency response and loss-prevention activities.

Norwegian Hull Club covers vessels, upstream energy assets and yachts for Hull & Machinery, Loss of Hire, Total Loss, War, and Builders'/Construction Risks. The Club also offers medical insurance for seafarers, Crew Contractual Liability Insurance and P&I and FD&D. In addition, there is a portfolio of Special Risks products.

The majority of The Club's premium income comes from international members and clients. The company's registered office is in Bergen, Norway.

## Management

In addition to the day-to-day activities and projects executed in 2019, The Club focused on optimising the organisation in all operations. The recruitment of new talent, as well as retaining skilled and motivated employees, remained a key factor for The Club to deliver on its promises and stay relevant.

## Operational Review

### Underwriting

Norwegian Hull Club's analysis of the market situation revealed a need to increase rates in 2019. This was validated as the entire marine market experienced a hardening throughout 2019, with the latter half of the year in particular showing rapid change.

The Lloyd's market and the UK branch markets were seen to be taking a tougher stance by the end of the year. The insurance hubs of Singapore and Dubai, meanwhile, were no longer the competitive markets they once were. Loss of confidence in the regions also meant that they were being more closely monitored and managed from Lloyd's London headquarters. Also, the other players of Scandinavia and Europe, having endured a soft market, appeared to identify

the necessity for rate adjustments. Norwegian Hull Club maintained its position in the market and saw rates improve throughout the year.

Gross premium income increased from previous years - the main reasons being a combination of improved rates and a slight increase in activity in most segments. The political uncertainty in the Persian Gulf and Strait of Hormuz had a major impact on premium volume and the increased risk should not be ignored; Norwegian Hull Club had an average of 100 vessels a day in the area. An improved portfolio, as well as increased top line, should be an indicator of positive development in the years to come. However, external factors - such as uncertainty surrounding technology, the scarcity of repair facilities, as well as political instability - may very well impact this result.

Norwegian Hull Club is well positioned both for the future and for taking advantage of the hardening market conditions. It continues to receive very positive feedback in the market. The Club's loss prevention and claims-handling abilities remain core to its long-term strategy and value proposition for clients, being appreciated by both owners and brokers alike. Norwegian Hull Club still experiences a willingness to accept a price differential on claims-lead business, while its position as a market leader in diversified product offerings appears to be well established.

Throughout 2019 Norwegian Hull Club continued its diversification strategy, writing several new and existing projects within the renewable energy sector. The Club began underwriting Owners' P&I in 2019 in addition to already established classes within Liabilities, such as Charterers' P&I and Crew P&I (via The Club's subsidiary Marine Benefits). These new lines of business have displayed positive growth - beyond both budget and expectations - and appear to be appreciated in the market.

### Claims

There was an increase in reported claims in 2019 compared with previous years. This correlated with a growth in both the lead and co-insurance portfolios in 2019.

A total of 2,438 new marine claims were registered (excluding P&I) as of December 31 2019 - an average of 6.7 new claims registered daily. This is an increase from 2,225 claims in 2018

- an average of 6.1 new claims daily. The reported claims costs were higher than previous years and, in particular, related to medium-sized LoH claims for our own retention. We are pleased to observe that, in 2019, The Club continued to deliver quicker settlements under lead H&M and LoH policies than its peers. Norwegian Hull Club will continue to implement digital initiatives in 2020 and beyond to increase efficiency in the claims-handling process.

A total of 750 adjustments were finalised on policies where Norwegian Hull Club was Claims Lead - the highest number for five years. The Club's role as Claims Lead for a large number of insured units enabled it to continue sharing valuable knowledge and experience with members and clients.

The Loss Prevention & Emergency Response department maintained its focus on the Pro-Active Method, promoting it extensively in crisis-handling training sessions with Members. These sessions developed in 2019 to include the method in relation to members' 3rd-line response capabilities. Norwegian Hull Club's Claims concept continues to be well received and in high demand, reflected in positive feedback from client surveys. The Claims department continued to deliver a high number of member and client activities globally, logging approximately 300 sessions in 2019.

## Investments

2019 delivered remarkable, unexpected performances in almost all asset classes. Most investors misjudged the strength of the markets. In the fourth quarter of 2018, fears of recession, higher interest rates and an ugly trade war between the US and China, set the stage for difficult markets in 2019. However, financial markets defied nearly all predictions, setting record highs for many major indices. The fact that investor expectations were set so low - based on numerous challenges facing the global economy - the subsequent flow of unforeseen positive data drove many investors to engage in the best bull market since 2009. The change in investor sentiment was primarily driven by a major shift in the Federal Reserve's monetary policy: interest rate cuts and a renewed expansion of the Fed balance sheet resulted in a strong performance in fixed income, as well as equities.

The US economy hit several milestones in 2019. These included a 20-year high in consumer confidence, a 50-year low in the unemployment rate, plus a 20-year high in homebuilder sentiment. Wage growth topped mortgage rates for the first time since 1972, while financial stocks in the S&P 500 surpassed the previous closing high of February 2007. Additionally, the UK has decided to leave the EU, and phase one of a US-China trade deal was concluded. Reduced

## Members of the Board



NORWEGIAN HULL CLUB

**Hans Olav Lindal**  
Chair of the Board



**Øystein Beisland**



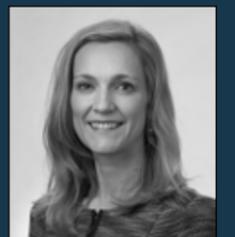
**Sveinung Drivenes**



**Rebekka Glasser Herlofsen**



**Anna F. Erlandsen**



**Marianne Møgster**



**Siri P. Stranden**



**Morten Ulstein**



uncertainty regarding these issues is viewed positively in financial markets. Some concerns should be factored in as the cycle matures. According to the World Bank, developing countries have accumulated a staggering \$55 trillion of debt, which is very high historically - both nominally and as a share of GDP.

The United States, the world's largest economy, has a public debt of 107 % of GDP and the public deficit in 2019 was 4.7 % of GDP, up from 3.5 % in 2017. Such a trend is not sustainable. Since 2008, global central banks have cut interest rates more than 750 times. The critical question now confronting policy makers is whether negative interest rates and historically high debt levels are causing a credit super cycle, which could limit monetary options in combatting the next recession.

The USD return on Norwegian Hull Club's investment portfolio, including foreign exchange hedges, was 8 % - equal to USD 32.7 million. In local currencies, in which the portfolio is invested, return was 7.8 % compared to 8 % for benchmark index. On a risk-adjusted basis, the portfolio return was ahead of the benchmark.

#### Reinsurance

A panel of long-term reinsurers with solid financial security helps protect the economic interests of Norwegian Hull Club. Reinsurance reduces risk exposure, protects capital and ultimately secures The Club's ability to fulfil its promise to members and clients - long and short term - whilst supporting new products and reducing volatility in existing business lines. A close partnership with reinsurers, based on mutual trust and confidence, is key to success in this regard. Through various cases during 2018 and 2019, Norwegian Hull Club's reinsurance panel proved that it can respond in a proactive and timely manner to the company's needs.

### Other Activities

#### Marine Benefits AS

Marine Benefits AS is a subsidiary of Norwegian Hull Club. It provides employment-related benefit solutions, health insurance and crew contractual liability insurance for the global shipping community. Marine Benefits also performs third-party services for ship owners and managers on crew claims handling.

#### Insurance Technology Solutions AS

Insurance Technology Solutions AS is a subsidiary of Norwegian Hull Club. It develops and operates software systems for the marine insurance industry. At the end of 2019, the company had 13 clients.

### Sustainability

Norwegian Hull Club's sustainability approach is reflected in its strategy and core business. It is clearly expressed through The Club's mission "to secure people, health, environment

and property". **You will find The Club's Sustainability Report included in this document, starting on page 50.**

### Risk Management

#### Enterprise Risk Management

The foundation of good internal governance is a strong risk-management framework, combined with delegations of authority to ensure the effective management and reporting of risks in the organisation.

Norwegian Hull Club has a comprehensive risk management and internal control framework to systematically identify, assess, manage and communicate risks throughout the organisation. The Board of Directors defines The Club's strategy and risk profile, including capital targets, risk tolerance and risk appetite. The primary responsibility for managing risks within applicable limits rests with the Chief Executive Officer and the respective operating units.

Norwegian Hull Club has implemented Key Functions in line with Solvency II requirements, comprising independent risk management, compliance, actuary and internal audit functions. The Club is exposed to the following main risks:

#### Strategic risk

Strategic risk relates to external and internal factors such as market and product developments, required personnel skills, and risk to reputation.

Developments in the marine and energy insurance markets in general, as well as The Club's competitive situation, are monitored both in daily operations and through participation in industry forums. Requirements for new skills within the workforce are met through training, talent development or recruitment of new employees.

#### Insurance risk

Insurance risk is the possibility that the premium charged is insufficient to cover claims incurred, and that provisions for claims already incurred are not enough to cover the ultimate cost. Clear limits are established for what insurance risk can be undertaken. The actuarial function continuously monitors the adequacy of both pricing and provisions made.

The Board of Directors decides upon the reinsurance programme and structure each year. The primary objective is to protect capital and limit fluctuations in results. The benefits of buying reinsurance protection are weighed against the costs.

#### Financial Risk

Financial risk refers to market, credit, liquidity and currency risks. Norwegian Hull Club seeks to expose the investment portfolio to systematic market risk and has, therefore, implemented highly diversified asset portfolios in order to diversify away specific company risks. All asset classes are highly diversified.



Spread risk is the risk that market pricing of credit risk increases. To reduce the spread risk, the bond portfolio shall have an adequate rating level from a holistic point of view.

Liquidity risk is considered low. The objective is, however, to have sufficient liquid assets to maintain a balanced investment portfolio - even following a severe, negative event where asset prices fall significantly and/or where assets may have to be sold.

The Board of Directors has adopted a strategic asset allocation and maximum exposure for each asset class of investments. Risk level is monitored and managed both for investments and as part of Norwegian Hull Club's overall risk. Stress tests are carried out to ensure that The Club can withstand the impact of severe negative scenarios.

Currency risk is a complex matter with several factors impacting result and capital position. Currency risk is managed with the aim of limiting the impact of any significant fluctuations in currency exchange rates on results and capital position.

In 2019, market risk increased as equities performed strongly and the investment portfolio increased. On the other hand, the credit quality of the portfolio also increased from higher allocation to government bonds and improved credit quality of the bond portfolio in general.

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, mistakes made by employees, or as a result of external events. To reduce operational risk, a set of policies and procedures is retained in a quality management system accessible by all employees. The Club's Risk Management system is a continual process that includes risk assessment, risk decision making, as well as implementation of risk controls resulting in acceptance, mitigation, or avoidance of risk.

### Internal Control

The system of internal control is a continuous process throughout the organisation, based on a set of established policies, procedures and activities which is constantly assessed and - where possible - improved upon. Audit and Risk committees oversee the internal control framework, while Risk Management and Compliance functions coordinate the processes, reporting to Management and the Board of Directors.

### Corporate Governance

Norwegian Hull Club is subject to supervision by the Financial Supervisory Authority of Norway. In addition, The Club's governing bodies have adopted separate internal regulations regarding corporate governance issues. The composition

and the main tasks of the governing bodies are set out as an appendix to this Annual Report.

## Accounts

In accordance with section 3-3 of the Norwegian Accounting Act, it is confirmed that the annual accounts are prepared under the assumption that the enterprise is a going concern and that the conditions are present.

### Results

The 2019 result was minus USD 2.4 million (USD 9.0 million for 2018). The technical result from insurance was minus USD 40.9 million (USD 2.5 million), while investment income and other financial items contributed with USD 33.4 million (USD 1.6 million). Gross loss ratio was 98 %, loss ratio for own account was 116 % and combined ratio was 126 %.

### Premium income and claims

Gross premium earned was USD 203.1 million. The comparable figure for 2018 (gross premium before return of mutual premium) was USD 166.4 million. Premium earned for own account was USD 156.2 million (USD 135.5 million).

The increase in premium was due to increases both in premium rates and the number of units insured. Gross claims incurred were USD 199.1 million (USD 149.8 million), while claims for own account amounted to USD 180.9 million (USD 116.1 million).

### Financial items

Financial income was USD 35.9 million. Of this, USD 32.8 million (USD 0.2 million) was related to the investment portfolio, with the balance comprising foreign exchange items and other financial income. Administration expenses related to financial assets were USD 2.6 million (USD 1.9 million).

### Operating expenses

Personnel, marketing and other operating expenses amounted to USD 22.9 million in 2019, USD 1.2 million lower than in 2018.

### Appropriation of result

After tax, the total comprehensive income for the year was minus USD 2 428 535, which the Board of Directors proposes be covered from Other Equity.

### Balance sheet

As per 31 December 2019, Norwegian Hull Club's equity was USD 301.3 million (USD 303.7 million).

### Cash flow

The cash flow generated by operating activities was minus-USD 5 million after a minus-USD 35.5 million change in financial assets. Cash flow generated by investments in fixed assets, subsidiaries and employee loans was plus-USD 1

million. The change in the cash balance during the year was minus-USD 4 million.

## Rating

On 23 July 2019, Standard & Poor's Ratings Services confirmed, under revised criteria, its long-term counter-party credit and insurer financial strength rating of Norwegian Hull Club as 'A' with a stable outlook. The Club targets a margin of 50 % to the 'AAA' capital requirement in S&P's capital model. At the end of 2019, the margin was 47 %.

## Organisation and Environment

At the end of 2019, Norwegian Hull Club had 128 employees. Personnel turnover was 3.15 %. Sick leave including long-term absence equated to 2.7 % of total working hours. Including the subsidiaries Marine Benefits AS and Instech Solutions AS, the total number of employees was 155.

Norwegian Hull Club values and strives towards improved diversity in the organisation. Amongst The Club's 128 employees, 12 nations were represented, while the gender ratio at the end of 2019 was 41.5 % female to 58.5 % male. The Club aims to be a workplace in which no discrimination occurs, in compliance with the Discrimination and Accessibility Act. There were no accidents involving either The Club's employees or property during the year. The working environment is considered good, based on feedback from the company's regular working-environment survey. Day-to-day operations do not contaminate the external environment. However, The Club insures vessels and units that may contribute to environmental pollution.

## Members

No member represents more than 7 % of the votes at the General Meeting. The ten largest members represent 27.7 % of the votes.

## Events After 2019 Year End

Since the second half of February 2020, global business has been significantly impacted by the COVID-19 virus and the measures taken by authorities to slow and limit its spread. There is - at the time of writing - little clarity regarding how long extraordinary measures will be kept in place, or what the long-term effects of the pandemic will be on the real economy.

Norwegian Hull Club is exposed to effects of the pandemic both in underwriting and investment operations. Underwriting exposure relates to business and trade disruption for units insured, as well as medical and liability insurance for crews. At the time of adoption of this report, this exposure is not regarded as high when taking reinsurance into account. However, transportation and other economic activity have reduced following COVID-19. Consequent measures, such as

the lay-up of vessels, reduce underwriting exposure. The net effect of COVID-19 is, therefore, difficult to estimate in detail. The Club's investment portfolio has been negatively impacted by COVID-19. Initially, losses from equities were offset by gains on bond holdings from lower interest rates. As interest rates levelled out, equities continued to fall and credit spreads widened, leading to nominal losses. A large proportion of these losses are most likely transitory.

The Club's capital adequacy has been maintained as the capital requirement from investments has also been reduced.

## Prospects

*This section on Prospects has not been updated following the outbreak of Covid-19 virus in Europe and the US.*

Norwegian Hull Club has positioned itself as a preferred Claims Leader in a competitive market. It has achieved this through new product developments in response to its members' needs, as well as well-regarded emergency-response services and efficient claims handling. Increased use of technology and easier access to data will also have an influence on Norwegian Hull Club - and the way marine and energy insurance is structured and executed - going forward.

Focus and resources are allocated in order for The Club to proactively adapt to this digitalization and transformation phase. Sustainability and its reporting will continue to become increasingly in focus within the industry, hence the further adoption of sustainability as an integral part of The Club's

strategy. Apart from focusing on reducing our own carbon footprint and climate risk impact, in line with our Mission statement and its commitment to the environment, The Club supports its members and clients entering the offshore renewable energy markets.

This landscape requires an enthusiastic organisation prepared for tomorrow's challenges through an increased ability and willingness to embrace change. A constant for The Club, however, is the continuous effort to remain relevant for its members and clients. Norwegian Hull Club will concentrate on securing its capital base and growing the business volume over time in a profitable and sustainable manner. Operational focus will be on diversifying into profitable areas, reducing costs, continuously streamlining operations, quick and professional claims handling, improving The Club's distribution network through geographical positioning, as well as offering members and clients first-class service and financial security.

Norwegian Hull Club is well capitalised and has a strong and growing portfolio of products and services. In the short term, the challenge is to strike a balance between maintaining and developing the existing book of business in a competitive market, while also protecting capital in order to offer members and clients sound protection and services in the longer term.

With the human, structural and financial capital in place, combined with an increased focus on growing its business in international markets, the Board of Directors believes Norwegian Hull Club is well positioned for long-term profitable and sustainable growth.

Bergen, 24 March 2020

Hans Olav Lindal  
Chair of the Board

Morten Ulstein

Øystein Beiland

Sveinung Drivenes

Anna F. Erlandsen

Rebekka Glasser Herlofsen

Marianne Møgster

Siri P. Strandenes

Hans Christian Seim  
CEO

# STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	Notes	2019	2018
Gross premiums earned	16	203 152 556	166 360 389
Reinsurance premiums	15	-46 960 745	-30 886 158
<b>A Premiums for own account</b>		<b>156 191 811</b>	<b>135 474 231</b>
<b>B Other insurance related income</b>		<b>6 759 595</b>	<b>7 167 565</b>
Gross accrued claims		199 149 522	149 767 798
Reinsurers share of gross claims	15	-18 225 881	-33 676 223
<b>C Claims for own account</b>	11	<b>180 923 640</b>	<b>116 091 575</b>
Marketing expenses	1	12 124 978	13 375 960
Commissions earned		-	-
<b>D Insurance related expenses for own account</b>		<b>12 124 978</b>	<b>13 375 960</b>
<b>E Other insurance-related expenses</b>		<b>10 765 771</b>	<b>10 673 492</b>
<b>F Operating result technical accounts (A+B-C-D-E)</b>		<b>-40 862 983</b>	<b>2 500 769</b>
Financial income		13 405 961	4 260 326
Realised gains and losses		5 608 326	3 991 052
Adjustment investment portfolio		16 930 603	-4 702 708
<b>G Total financial income</b>		<b>35 944 889</b>	<b>3 548 670</b>
H Administration expenses financial assets		2 581 184	1 920 944
<b>I Profit before income tax (F+G-H)</b>		<b>-7 499 277</b>	<b>4 128 495</b>
J Tax expenses (income)	9	- 5 120 813	- 5 204 331
<b>K Profit for the year (I-J)</b>		<b>-2 378 465</b>	<b>9 332 826</b>
L Other comprehensive income		- 50 070	-313 141
<b>M Total comprehensive income for the year</b>		<b>-2 428 535</b>	<b>9 019 685</b>
<b>Dividend</b>			
Other equity		-2 428 535	9 019 685
Total		-2 428 535	9 019 685



**‘A’** Standard & Poor’s  
With a stable outlook, our capital adequacy is in excess of the “AAA” requirement

# BALANCE SHEET

## Assets

All figures in USD

	Notes	31.12.2019	31.12.2018
Shares in subsidiaries	4	3 735 451	3 313 685
Other shares		7 051 851	5 258 821
Mortgage loans	2	7 868 434	9 566 944
Syndicated loans		0	765 732
Stocks and shares	7	102 565 541	96 454 298
Bonds	8	341 645 530	311 086 141
Financial derivatives	8	-	450 602
Bank deposits investment portfolio		3 880 582	1 462 744
<b>Total financial assets</b>		<b>466 747 388</b>	<b>428 358 966</b>
Reinsured proportion of gross premium provisions	12	19 990 910	17 997 870
Reinsured proportion of gross claims provision	12	37 455 901	67 071 675
<b>Total reinsured proportion of insurance provisions</b>		<b>57 446 811</b>	<b>85 069 545</b>
Insurance related receivables	5	121 889 361	97 220 729
Reinsurance receivables		16 459 646	15 120 202
Disbursements		46 024 748	50 326 763
Other receivables		11 572 638	10 404 441
<b>Total receivables</b>		<b>195 946 393</b>	<b>173 072 135</b>
Properties	3	2 777 085	2 777 085
Equipment and fixtures	3	3 497 026	3 965 180
Cash and bank deposits		19 329 596	25 740 745
<b>Total other assets</b>		<b>25 603 707</b>	<b>32 483 011</b>
Accrued interest		1 211 195	1 406 340
<b>Total assets</b>		<b>746 955 495</b>	<b>720 389 997</b>

## Equity and Liabilities

All figures in USD

	Notes	31.12.2019	31.12.2018
Equity		8 042 072	8 042 072
Other equity		293 220 551	295 649 086
Currency adjustment equity			
<b>Total equity</b>		<b>301 262 623</b>	<b>303 691 158</b>
Unearned gross premium provision	12	115 100 329	83 164 845
Gross claims provision	12	229 097 411	227 474 826
<b>Total gross insurance provisions</b>		<b>344 197 740</b>	<b>310 639 671</b>
Pension liability	2	4 065 191	4 040 684
Withheld payroll tax, social security etc.	1	2 936 446	2 940 432
Deferred tax	9	68 366 301	77 530 895
Taxes payable	9	3 600 456	566 629
<b>Total tax etc. payable</b>		<b>78 968 394</b>	<b>85 078 639</b>
Payables direct insurance accounts		692 419	6 361 220
Payables reinsurance		11 220 354	4 432 149
Payables other accounts		10 613 965	10 187 161
<b>Total payables</b>		<b>22 526 738</b>	<b>20 980 529</b>
<b>Total equity and liabilities</b>		<b>746 955 495</b>	<b>720 389 997</b>

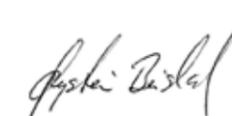
Bergen, 24 March 2020



**Hans Olav Lindal**  
Chair of the Board



**Morten Ulstein**



**Øystein Beisland**



**Sveinung Drivenes**



**Anna F. Erlandsen**



**Rebekka Glasser Herlofsen**



**Marianne Møgster**



**Siri P. Strandenes**



**Hans Christian Seim**  
CEO

# DEVELOPMENT IN EQUITY

	Owners' Fund	Other Equity	Total Equity
Equity at 01.01.2018	8 042 072	286 629 400	294 671 473
Profit for the year		9 332 826	9 332 826
Other comprehensive income		-313 141	-313 141
<b>Equity at 31.12.2018</b>	<b>8 042 072</b>	<b>295 649 085</b>	<b>303 691 158</b>
Equity at 01.01.2019	8 042 072	295 649 085	303 691 158
Profit for the Year		-2 378 465	-2 378 465
Other comprehensive income		-50 070	-50 070
<b>Equity as at 31.12.2019</b>	<b>8 042 072</b>	<b>293 220 550</b>	<b>301 262 623</b>

# STATEMENT OF CASH FLOW

All figures in USD

	2019	2018
Profit for the year before tax	-7 499 277	4 128 495
Change in net technical reserves	61 180 803	19 154 784
Unrealised value change other shares	-1 793 030	0
Net profit on sale of fixed shares	0	0
Change in disbursements	4 302 015	-3 923 236
Net profit on sale of fixed assets	0	0
Change in net pension liabilities	24 507	-205 722
Change in net receivables	-25 438 905	-10 389 037
Depreciations and impairment of assets	699 454	812 936
Taxes paid	-994 241	-45 013
<b>Net cash flow from operations before financial assets</b>	<b>30 481 325</b>	<b>9 533 207</b>
Change in net bonds	-29 793 658	-11 207 213
Change in net stocks and shares	-6 111 242	8 606 423
Change in net financial derivatives	450 602	-450 602
<b>Net cash flow from financial assets</b>	<b>-35 454 299</b>	<b>-3 051 391</b>
<b>A Net cash flow from operational activities</b>	<b>-4 972 974</b>	<b>6 481 815</b>
<b>Cash generated/used by investing activities</b>		
Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies	-421 766	-578 970
Net receipts/payments related to sale/purchase of fixed assets	-245 093	-499 003
Change in mortgage loans	1 698 510	761 933
<b>B Net cash inflow/outflow from investment activities</b>	<b>1 031 651</b>	<b>-316 039</b>
<b>C Net financing activities - dividend paid to members</b>	<b>-</b>	<b>-</b>
<b>D Effect of changes in exchange rates on cash and cash equivalents</b>	<b>-51 990</b>	<b>-522 725</b>
<b>A+B+C+D Net change in cash and cash equivalents</b>	<b>-3 993 313</b>	<b>5 643 051</b>
Cash and cash equivalents 01.01	27 203 490	21 560 439
<b>Cash and cash equivalents</b>	<b>23 210 177</b>	<b>27 203 490</b>



# NOTES TO THE ACCOUNTS

## Note 1 – Accounting Principles

### Basic principles

The financial statements of Norwegian Hull Club have been prepared in accordance with the Norwegian Accounting Act and regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance.

Principally this means that accounting recognition, measurements and disclosures to the financial statements comply with Norwegian generally accepted accounting standards, together with a limited use of certain International Financial Reporting Standards (IFRS) in accordance with the Finance Ministry's regulations on simplified application of the International Financial Reporting Standards.

The financial statements of Norwegian Hull Club as of 31 December 2019 consist of the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flow and Notes to the Accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations and congruence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time it is earned. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to income are expensed as incurred. Hedging and portfolio management are taken into account.

Assets related to current business activities and accounts receivable due within one year of the closing are classified as current assets. The same applies to short-term debt and accounts payable. Current assets/short-term debts are recorded at the lowest/highest of acquisition cost and fair value. Monetary items in foreign currencies are recorded at fair value. Other assets are classified as fixed assets. Fixed assets are recorded at original cost, with deductions for depreciation. In the event of a decline in value, which is not temporary, a fixed asset will be subject to a write-down.

According to Norwegian generally accepted accounting principles, there are some exemptions to common assessment and valuation principles. Comments to these exemptions follow below.

### Basis of consolidation

Norwegian Hull Club Group consists of Norwegian Hull Club, Insurance Technology Solutions AS, Marine Benefits AS and NHC Prosjekt AS. Norwegian Hull Club owns 100 % of the latter three companies. The turnover and equity in these companies is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts.

## Accounting principles for material items

### Premium recognition / premium reserve

Premium and commission are recognised over the insurance policy period. Insurance premiums are due for payment in advance and provisions are made for the unearned portion of the premiums related to a period after the end of the fiscal year (premium reserve). Premium is reported net of broker commission and discounts. Provisions (premium reserves) are made to cover the unearned share of the written premium. The unearned premium is calculated per risk assuming linear earnings over the time of the policy. As some information related to the written premium is reported retroactively (adjustments for lay-up, war calls, value changes, performance bonuses etc.) the earned and unearned premium is adjusted to cover the expected future development based on previous aggregated experience. As of 31.12.2019, this leads to a small increase in both earned premium and unearned premium. If the premium is considered insufficient to cover future claims, additional reserves for unexpired risk are made. This has not been considered necessary as of 31.12.2019. The insurance contracts that The Club issues are entered into the accounts in

line with Norwegian accounting regulation ("Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance").

### Line of business

Norwegian Hull Club operates in the ocean-marine line of business, including underwriting of medical insurance for seafarers.

### Premium from multi-year policies

Norwegian Hull Club has written multi-year policies. The premium for the insurance years 2020 and later is not recorded in the accounts.

### Claims incurred but not reported

The reserve for claims incurred but not reported is calculated according to the "Benktander Method" based on reported claims

### Cost recognition and matching / claims reserve

Claims are expensed as incurred. Other costs are expensed in the same period as the income to which they relate is recognised. Claims reserves are intended to cover anticipated future claims payments for losses incurred but not yet settled at the end of the fiscal year. These reserves comprise provisions for losses reported to The Club but not yet settled, as well as provisions for losses incurred but not yet reported at the end of the fiscal year. Provisions for known losses are assessed individually by the claims departments, while provisions for unknown losses are based on The Club's empirical data and future expectations as well as actuarial methods. Reinsurance contracts do not free the ceding Norwegian Club Hull from its obligations to the insured.

### Reserve for unallocated loss adjustment expenses (ULAE)

In line with regulations ("Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance") The Club has implemented a provision to cover indirect claims cost. Norwegian Hull Club has calculated unallocated loss adjustment expenses to 7% of outstanding claims as a claims provision (for the medical plan the percentage is 4.5). For indirect claims expenses related to paid claims, The Club has allocated a share of operating expenses.

### Accounts receivables

Receivables are accounted for at face value, with deductions for expected loss.

### Employee loans

Employee loans are accounted for at face value with deductions for expected loss. At year-end, no deductions were made.

### Fixed assets and depreciation

Fixed assets are recorded in the accounts at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. Depreciation is calculated using the straight-line method. Upgrading of rented office premises is depreciated over the rent period. If the fair value of a fixed asset is lower than book value, and the decline is not temporary, the fixed asset will be written down to fair value. Depreciation is classified as other insurance-related expenses.

### Marketing expenses

Marketing expenses do not include any sales commissions.

### Foreign exchange

USD is The Club's functional and presentation currency. The major part of Norwegian Hull Club's premium income and claim cost is in USD. The currency is also significant in respect of provisions in the marine-ocean line of business. Profit and loss transactions in foreign currencies are translated into USD using the average yearly rate of exchange.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income as financial income or costs.

Receivables and liabilities (including technical insurance obligations) in foreign currencies are translated into USD at the year-end exchange rates. Foreign exchange gains and losses that relate to payables, receivables and cash and cash equivalents are presented in the Statement of Comprehensive Income under financial income or costs as currency gain/loss. All other foreign



exchange gains and losses are posted in the statement of comprehensive income under items they relate to. Securities and financial instruments in other currencies are valued in USD at the year-end exchange rates.

Norwegian kroner are used in the official Norwegian regulatory reporting. The year-end exchange rate used for the balance sheet for the Norwegian financial reporting was 8.78 (NOK/USD). The average exchange rate used in the statement of comprehensive income was 8.80 (NOK/USD).

#### **Cash and cash equivalents**

Cash and bank deposits are included in cash and cash equivalents in the Statement of Cash Flow. The working capital credit facility amounts to USD 1.1 million and is not used at year-end. In addition, Norwegian Hull Club has another credit facility of USD 30 million covering both bank guarantees and ordinary credits. Restricted deposit amounts to USD 6.3 million at the end of the year. The Club has cash pooling arrangements together with subsidiaries. Liquidity is made available through cash pooling for the subsidiaries of Norwegian Hull Club to meet their obligations.

### **Exemptions to the Basic Assessment and Valuation Principles**

#### **Financial current assets**

Norwegian Hull Club uses the opportunity that is given to insurance companies in "Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance" to present all financial assets at fair value through profit or loss in accordance with the fair value option, if not otherwise decided before investment in a financial asset is made. This means that the fair value adjustments on financial assets are recognised in income before other comprehensive income.

Financial instruments are valued at fair market value. Such financial instruments are equities (both listed and unlisted), bonds and other interest generating investments, real estate funds and money market funds. Foreign exchange contracts are valued at fair market value as well.

Regular purchases and sales of financial assets are recognised on the trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction cost are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and The Club has transferred substantially all risks and rewards of ownership. Realised gains / losses on financial instruments are presented on a separate line in the statement of comprehensive income. Interest and dividends income are included in financial income for financial assets at fair value through profit and loss.

#### **Shares in subsidiaries and associated companies**

Shares in subsidiaries are valued using the cost method in the Norwegian Hull Club accounts. Cost increases when the parent gives the subsidiary increased equity capital by subscription for share issue or group contribution. Dividends / group contribution received is normally recognised as income, but only to the extent that dividends / group contribution received from subsidiary do not exceed the share of retained earnings in the subsidiaries after the purchase. Received dividends / group contributions in excess of this amount are recorded as a reduction of the acquisition cost. Norwegian Hull Club records received dividend / group contributions the same year as the subsidiary makes the provisions.

An associated company is an entity over which The Club has significant influence but not control or joint control. This is generally the case where The Club holds between 20% and 50% of the voting rights. Investment in the associated company was previously accounted for using the cost method. In 2018, The Club chose to change the accounting method, and investments in associated company is accounted for using the equity method. The investments are initially recognised at cost and adjusted thereafter to recognise the NHC's share of the post-acquisition profits or losses of the investee in profit or loss. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by The Club, including fair value adjustments according to IAS40. The associated company is Olav Kyrresgt 11 AS, and The Club's share is 33.3%.

#### **Pension cost, funding and obligations**

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. These are pension obligations for some pensioners. These are non-funded obligations

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Club has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

## Deferred tax and tax expense

Deferred tax is calculated based on temporary differences between book values and tax basis for assets and liabilities at year-end. For the purpose of calculating deferred tax, nominal tax rates are used. Taxable and deductible temporary differences are offset to the extent that they reverse within the same time frame. However, deferred tax liabilities on net pension assets are treated separately. Temporary differences that will constitute a future tax deduction give rise to a deferred tax asset. Change in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year adjusted for errors in previous year's tax calculations, constitutes tax expenses for the year.

## Risk equalisation

The opportunity to make provisions to the risk equalisation has been removed from 01.01.2017. At dissolution, the risk equalisation was divided into other equity and deferred tax.

## Note 2 – Number of Employees / Benefits / Employee loans / Audit / Pensions

Number of employees	NHC
31.12.2018	122
31.12.2019	128

### Remuneration to executives, Board of Directors, Committee members and auditor per 31.12.2019:

	Salary	Other benefits	Loan	Bonus	Pension cost
Hans Christian Seim, CEO	505 323	17 038	285 476	50 472	71 510
Per Gustav Blom, CFO	211 898	17 038	-	29 186	42 562
Åge Solberg, CCO	209 631	14 009	295 756	27 926	38 914
Atle Fjeldstad, CUO	259 891	17 038	-	40 004	43 293
Hilde Førlund, CHRO	174 219	17 038		5 564	29 340

The pension and profit sharing figures in the table above represent the actual payments in 2019.

### Board of Directors with sub Committees:

Hans Olav Lindal (Chair)**	51 115
Øystein Beisland	19 878
Siri Pettersen Strandenæs*/***	56 794
Rebekka Glasser Herlofsen*/***	45 436
Morten Ulstein**	25 557
Magne Morken	9 939
Sveinung Drivenes (employee repr.)*/**	42 596
Anna Erlandsen (employee repr.)	19 878
<b>Total remuneration</b>	<b>271 193</b>

Sub Committees:

\* = member of Audit Committee

\*\* = member of Remuneration Committee

\*\*\* = Member of Risk Committee

### Election Committee

Atle Bergshaven (Chair)	3 408
Helge Kraft	2 272
Stig Remøy	2 272
Nils P Dyvik	2 272
Eli Vassenden	2 272
<b>Total remuneration to Election Committee</b>	<b>12 495</b>

### Committee

Atle Bergshaven (Chair)	3 408 per meeting
Other members	2 272 per meeting
<b>Total remuneration to Committee</b>	<b>77 240</b>

There are no loans to members of the Board of Directors, Committee or Election Committee.

### Employee salary and loans

All employees	2019	2018
Salary	13 663 425	14 130 148
Payroll tax	3 287 653	3 294 095
Profit sharing	867 756	1 778 074
Other benefits	277 267	286 639
Pension cost	3 648 537	3 794 953
<b>Total</b>	<b>21 744 638</b>	<b>23 283 909</b>

The Club has extended ordinary loans to employees totalling USD 6.1 million. Interest rates equal the lowest rate allowable if the loans are not to be taxed as employee benefit. All real-estate loans are secured by real-estate collateral. The real-estate loans have repayment period of 20 years.

The Club does not expect any loss from employee loans. Therefore, no provisions have been made. The loans are secured within 80% of the market value of the real estate.

### Variable remuneration

The Club has established the principles for remuneration of senior executives, employees with duties essential to the firm's risk exposure, as well as employees with supervisory responsibilities. The scheme aims to promote good management and control of The Club's risk and shall not encourage excessive risk taking. A remuneration committee is appointed, and it will annually assess the need for adjustment in the compensation scheme based on the changes of The Club's risk exposure.

In addition to salary, employees covered by the scheme could be assigned a variable remuneration. The total share of profit available for distribution is calculated based on a percentage of The Club's profit. The individual's share of profit available for distribution is determined, among other things, on the basis of salary and individual performance criteria. Any extraordinary effort, large client / personnel responsibility, contributions to skills upgrading in The Club and any breach of internal guidelines or other relevant legislation are given weight. In addition, certain financial criteria could also be emphasised, including the achievement of objectives within the employee's department.

### Audit

	2019	2018
Audit Fee	100 498	81 619
Tax advice fee	28 724	79 264
Other services provided by auditor	100 309	2 305
<b>In total</b>	<b>229 530</b>	<b>163 188</b>

(The figures in the table above are presented inclusive VAT).

### Pension cost, funding and obligations

The Club dissolved the defined benefit plan 31.12.2015, and the unfunded pension obligations were invested in Storebrand on behalf of the employees (initially invested in Holberg). The Club has established a defined contribution hybrid pension scheme for all employees from 01.01.2016. In addition, The Club has an individual top pension scheme for salaries above 12G. The cost for The Club in respect of the hybrid scheme for 2019 was USD 1 372 465. The total investments in Storebrand amounted to USD 4.0 million per 31.12.2019, which is recognised in the balance sheet as an asset (other receivables) and a liability. The cost for AFP (early retirement pensions) for 2019 was USD 169 648 (USD 160 095 for 2018).

Additionally, The Club has pension obligations for some pensioners. These are non-funded obligations. All pension schemes are valued in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changes in the actuarial assumptions and variations between actual and anticipated return on pension funds, are recognised in the balance sheet immediately, through Other Comprehensive Income (OCI). However, in 2018 and 2019 accounts, these items have been regarded as insignificant for reclassification.

### Notes for IAS19 disclosures per 31.12.2019:

		Non-funded obligations	
1.	Net pension cost	2018	2019
	Current service cost	145 103	92 385
+	Recognised past service cost	-	-
=	Service cost	145 103	92 385
+	Net interest expense/(income)	76 023	79 295
+	Administrative expenses related to management of plan assets	-	-
+	Payroll tax (PT)	31 179	24 207
+	Financial tax	11 056	8 584
=	<b>Cost in financial statement</b>	<b>263 360</b>	<b>204 470</b>

		Non-funded obligations	
2.	Change in defined benefit obligation (DBO)	2018	2019
	DBO at the beginning of year	3 433 126	3 248 982
-	Currency effect DBO	-191 604	-33 969
+	Service cost	135 839	92 631
+	Interest cost on DBO	71 169	79 506
+	Past service cost	-	-
+	Remeasurements	104 880	191 792
+	Acquisition/(disposals)	-	-
-	Benefits paid	314 428	314 192
=	<b>DBO at end of year</b>	<b>3 248 982</b>	<b>3 264 751</b>
	<b>TBO at end of year</b>	<b>3 520 636</b>	<b>3 452 280</b>

3.	Obligation in financial statement	2018	2019
	Net defined benefit obligation (asset)	3 248 982	3 264 751
-	Currency effect benefit obligation	-	-
+	Payroll tax	458 107	460 330
+	Financial tax on contribution	162 449	163 268
+	Remeasurements at end of year	-	-
=	<b>Obligation in financial statement</b>	<b>3 869 538</b>	<b>3 888 318</b>

### 4. Reconciliation

	Balance sheet provision (prepayment) at beginning of year	4 100 763	3 869 538
-	Currency effect balance sheet provision	228 200	40 457
+	Cost in financial statement	246 547	205 015
-	Contributions/benefits paid during year (including PT)	358 762	358 493
-	Financial tax on contribution	15 721	15 710
+	Remeasurements recognised in OCI	124 912	228 425
-	Impact of (acquisition) / disposals	-	-
-	Other movements in the balance sheet	-	-
=	<b>Balance sheet provision (prepayment) at end of year</b>	<b>3 869 538</b>	<b>3 888 318</b>

### 5. Assumptions

	01.01.2019	31.12.2019
Number of employees	4	3
Number of pensioners	5	6
Contractual Pension Scheme (AFP) probability	-	-
Resignation rate (over/under 40 years)	0-8 %	0-8 %
Tariff	K2013/KU	K2013/KU
Estimated return on plan assets	2.6 %	1.8 %
Discount rate	2.6 %	1.8 %
Salary increase	2.75 %	2.25 %
Increase of pension from the Norwegian National Insurance	2.5 %	2 %
Pension increase	fluctuating	fluctuating
Payroll tax	14.1 %	14.1 %
Financial tax	5 %	5 %

### Note 3 – Fixed Assets

Depreciation is calculated using straight-line method. Equipment and fixtures are depreciated over a period of 3-7 years. Upgrading of rented office premises, which are part of the equipment and fixtures group are depreciated over the rent period (10 and 13 years). The Club has an option to extend the rent period beyond the fixed term. Properties are not depreciated. Depreciation is classified as other insurance related expenses.

31.12.2019	Equipment and fixtures	Properties	Total
Acquisition cost 1.1.2019	11 392 439	2 777 085	14 169 524
Additions	248 435	-	248 435
Disposals	-3 342	-	-3 342
Acquisition cost 31.12	11 637 532	2 777 085	14 414 617
Accumulated depreciation 1.1	7 427 259	-	7 427 259
Ordinary depreciation	713 247	-	713 247
Disposals depreciation	-	-	-
Accumulated depreciation 31.12	8 140 506	-	-
<b>Book value 31.12.2019</b>	<b>3 497 026</b>	<b>2 777 085</b>	<b>6 274 111</b>

31.12.2018	Equipment and fixtures	Properties	Total
Acquisition cost 1.1.2018	10 893 437	2 777 085	13 670 522
Additions	536 129	-	536 129
Disposals	-37 127	-	-37 127
Acquisition cost 31.12	11 392 439	2 777 085	14 169 524
Accumulated depreciation 1.1	6 614 323	-	6 614 323
Ordinary depreciation	815 831	-	815 831
Disposals depreciation	- 2 895	-	-2 895
Accumulated depreciation 31.12	7 427 259	-	-
<b>Book value 31.12.2018</b>	<b>3 965 180</b>	<b>2 777 085</b>	<b>6 742 265</b>

## Note 4 – Subsidiaries and Associated Companies

In Norwegian Hull Club the cost method is used for the following companies:

Company	Insurance Technology Solutions AS	Marine Benefits AS	NHC Prosjekt AS
Business office	Bergen	Bergen	Bergen
Ownership share/Voting share	100 %	100 %	100 %
Result in subsidiaries and associated companies	-329 904	72 127	-
Book value in NHC	1 296 706	2 060 659	378 086
Equity in subsidiaries	840 539	2 253 929	378 086

The turnover and equity in the subsidiaries is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. Subsidiaries' financial information has been included based on unaudited financial statements as of 31 December 2019. The figures presented in the table above are all results before tax.

IT services purchased from ITS AS amounts to USD 0.8 million for 2019. Third party assistance regarding claim handling is bought from Marine Benefits AS. This amounts to USD 2.2 million for 2019.

Associated company is accounted for using the equity method:

Associated company	2018	2019
Opening balance 1 January	5 197 192	5 258 821
Share of this year's profits	374 771	1 843 100
Exchange differences on translation reported as other comprehensive income	- 313 141	-50 070
Closing Balance as of 31 December	5 258 821	7 051 851

The associated company is Olav Kyrresgt 11 AS, and The Club's share is 33.3%

### Net receivables / liabilities to group and associated companies:

Balances due to Marine Benefits AS is USD 0.4 million. Balance due from Marine Benefits is USD 1.6 million (as of 31.12.2018 USD 3.2MUSD). This is a short-term claims fund and other short term liability. In addition there is a long term loan of USD 1.5 million

due from Marine Benefits. The term and conditions for the loan comprise a floating rate of interest, 3-month LIBOR + 2.0 % p.a. The loan shall be repaid no later than 30 December 2023.

Balance due to ITS AS is USD 0.6 million, due to group contribution. Balance due from ITS AS is a long term loan of USD 1.1 million. The term and conditions for the loan comprise a floating rate of interest, 3-month LIBOR + 2.0 % p.a. The loan shall be repaid no later than 30 December 2023.

Balance due from Olav Kyrresgt 11 As is USD 1.4 million as of 31.12.2019 (as of 31.12.2018 USD 1.7 million).

## Note 5 – Risk

### Underwriting risk

The risk that The Club's premium income will be insufficient to cover the estimated size and frequency of claims. The risk is managed through the use of actuarial models for pricing, risk assessment and adoption of a sound underwriting strategy.

### Reserve risk

Reserve risk is the risk that The Club's technical provisions are insufficient to cover the underlying liabilities. Actuarial models are used to calculate sufficient provisions.

### Reinsurance risk

The risk associated with the choice of reinsurance structure and its adequacy as well as the reinsurers' ability to carry the losses. Experienced employees establish a reinsurance structure ahead of the insurance year, which is regarded as optimal for The Club on the basis of sensitivity analyses of various claims scenarios, the desired exposure of The Club's solvency capital in the event of a major claim and opportunities for transferring risk on the basis of the historical claim picture. The capital adequacy of reinsurers and their ability to meet their obligations are also carefully assessed.

### Operational risk

The risk that The Club's operational guidelines are inappropriate or its employees deviate from the guidelines. A set of guidelines has been established to manage the operational risk. The Club defines critical risks and establishes procedures to eliminate or reduce the risk. Estimated loss from operational failure has been calculated. The Club's capital is sufficient to cover such a provision. The operational procedures are subject to continuous monitoring and are reviewed annually by the internal auditor in connection with the assessment of The Club's internal control.

### Financial risk

The investment portfolio is exposed to three main categories of risks, namely credit risk, market risk and liquidity risk. The Club seeks to develop an investment strategy that minimizes the potential consequences of the above listed risks for any defined risk level. Routines have been established in order to make sure that The Club is in compliance with all relevant regulations in terms of capital management, capital adequacy and so forth at any given time. Norwegian Hull Club reviews the investment risk continuously. Furthermore, it has developed stress tests in order to calculate the sensitivity and potential write-down of the investment portfolio and will make sure that the results of these tests are within the risk tolerance limits and parameters adopted by the Board.

### Credit risk

Credit risk is the risk that The Club's customers or counterparties to financial instruments will cause The Club financial loss by failing to honour their obligations. Theoretically, The Club's maximum credit exposure in terms of financial assets is the aggregated book value of debt investments. In order to reduce the credit risk, banks shall have a minimum rating of "A" (Standard & Poor's), and the bond portfolios shall be sufficiently diversified and have an adequate rating level from a holistic point of view. Bonds that are valued at fair value have on average an A rating (Standard & Poor's). Banks had on average an A+ rating as of 31st of December 2019.

The ocean-marine line of business is characterized as a mature market. A large share of the premium income is handled through brokers, and the business is characterized by a delay in terms of payment. The Club has premium income from clients with a good history in terms of payment and the bad debts figures are very low. However, USD 0.8 million is set as provision for bad debt at 31st December 2019 (2018: USD 0.6 million). The medical insurance for seafarer business has limited credit risk and is considered as not significant.

## Overview of insurance-related receivables:

	Direct insurance 2019		Direct insurance 2018		
		in % of total			in % of total
Not Due	105 724 630	86.7 %	Not due	79 939 683	77.2 %
Due 2019	14 608 641	12 %	Due 2018	15 849 247	20.9 %
Due 2018	646 598	0.5 %	Due 2017	988 907	1.3 %
Due before 2018	909 492	0.7 %	Due before 2017	442 892	0.6 %
<b>In total</b>	<b>121 889 361</b>	<b>100 %</b>	<b>In Total</b>	<b>97 220 729</b>	<b>100 %</b>

The reinsurance structure is established ahead of the insurance year. The Club is liable towards the insured if a reinsurer does not honour its obligations. The creditworthiness of the reinsurers is therefore a part of the decision basis in the process of placing reinsurance. In order to reduce the credit risk, reinsurers participating on the core reinsurance programme shall have a minimum rating of "A" (Standard & Poor's/ AM Best).

## Market risk

Being a marine insurance company operating in a global business such as shipping, USD is the natural base currency. However, parts of The Club's business are exposed to other currencies including, but not limited to, EUR, JPY, GBP and NOK. A portion of The Club's insurance liabilities and premium income are in currencies other than the base currency, while more or less all of the operating costs are in NOK. The Club seeks to match assets and liabilities in terms of currency. Its investment portfolio is, to a large extent, USD based but is also exposed to other currencies - reflecting both specific investment considerations and the currency composition of the liability side. The remaining structural currency mismatch between assets and liabilities is hedged through the use of currency-forward contracts. As the actual underlying currency risks in equity investments and insurance liabilities are highly complex matters, the hedging approach calls for simplification in monitoring and management. The currency balance is monitored and matched on a quarterly basis, with interim adjustments if there are significant currency events arising from the business. The currency risk in the operating margin, arising from operating costs in NOK, is perpetual in nature and difficult to hedge from a market and cost perspective.

In order to limit the interest rate risk, the investment-grade bond portfolio shall have an average interest rate duration between + / - 1 year relative to benchmark. The applied benchmark includes securities with a remaining term to final maturity between 1-3 years and reflects the duration of The Club's insurance liabilities. At the end of 2019, the actual duration of the investment-grade bond portfolio was 1.85 years while benchmark duration was 1.83 years. The investment-grade bond portfolio was USD 299 million and 67 % of the investment portfolio at the end of 2019. The value of the investment grade bond portfolio will approximately increase / decrease by 1.85 % if interest rates shift + / - 1.0 % -point across the interest rate curve. The effect on pre-tax earnings will be +/- USD 5.5 million. As of 31.12.2019 our high yield portfolio, USD 21.8 million, has a slightly higher duration of 2.8 years. Meanwhile, our emerging market hard-currency sovereign bond portfolio, USD 22.8 million, has a duration of 7.7 years.

At the end of 2019, the listed equity portfolio was USD 49.6 million, approximately 11 % of the investment portfolio. The portfolio is well diversified across countries and regions globally. A 10 % drop in equity values would have a negative pre-tax effect on The Club's earnings of USD 4.96 million.

At the end of 2019, the private markets portfolio was USD 17.5 million, approximately 4 % of the investment portfolio. The portfolio comprises private equity, private debt and infrastructure investments, and is well diversified across countries and regions globally. A 10 % drop in private markets values would have a negative pre-tax effect on The Club's earnings of USD 1.75 million.

At the end of 2019, the real estate portfolio was USD 35.5 million, approximately 8 % of the investment portfolio. The portfolio consists of Norwegian, unlevered commercial real estate investments, and is well diversified across different segments of the market. A 10 % drop in property values would have a negative pre-tax effect on The Club's earnings of USD 3.55 million.

## Liquidity risk

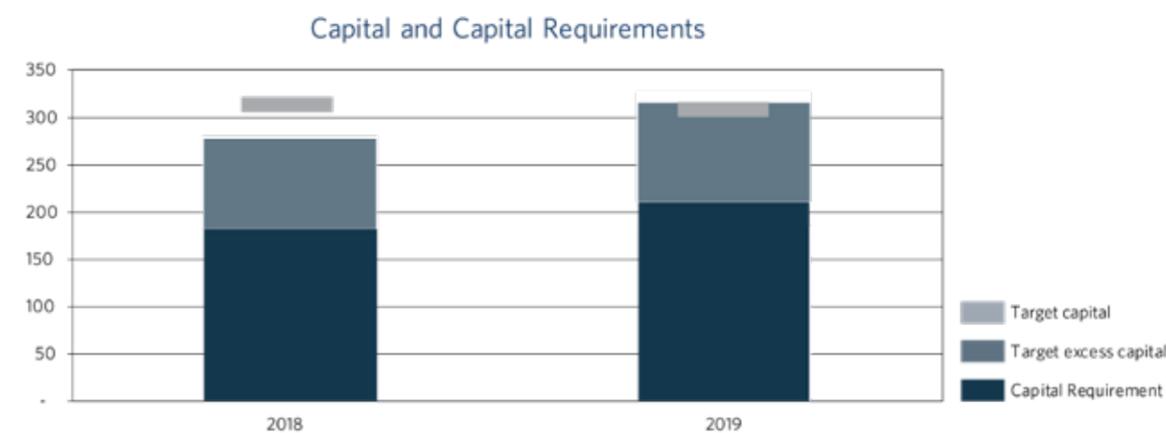
Liquidity risk is the risk that The Club will not be able to meet obligations when due. The liquidity risk in the investment portfolio is considered to be low.

The Club shall, over time, have a working capital (as a deposit in bank accounts) in the region of USD 10 million. In addition, The

Club has established credit facilities of a minimum of USD 20 million. At least 70 % of the aggregated market value of the investment portfolio shall be invested in liquid securities or funds. Liquid investments are defined as investments that can be realised within five business days under normal market conditions.

## Risk measures and stress testing

The Club monitors its risk taking on a quarterly basis, based on risk models developed by Standard and Poor's. The model covers Market risk (i.e. investment risk and risk arising from asset/liability mismatch in terms of currency and/or interest rates), Counterparty credit risk, Underwriting risk and Operational risk. The Club has established internal targets in terms of capital in excess of the model requirements. As of 31.12.2019, The Club's capital exceeds the S&P A-rating requirement by USD 98 million (2018: USD 125 million). The Club's minimum capital requirement is determined as described above and the excess amounts are shown in the figure below:



Formal capital and capital requirements under Solvency II regulations are set out in notes 13 and 14.

## Note 6 – Financial Assets

The table below sets out an overview of the carrying and fair values of The Club's financial instruments and the accounting treatment of these instruments as defined in IAS 39:

	31.12.2019		31.12.2018	
	Book Value	Market Value	Book Value	Market Value
Stocks, shares, bonds and other financial instruments in total	444 211 071	444 211 071	408 756 722	408 756 722
Mortgage loans and receivables	7 868 434	7 868 434	9 566 944	9 566 944
Bank deposits investment portfolio	3 880 582	3 880 582	1 462 744	1 462 744
<b>Total</b>	<b>455 960 086</b>	<b>455 960 086</b>	<b>419 786 460</b>	<b>419 786 460</b>

31.12.2019	Book value		Market value	
	Mortgage loans & receivables	Asset at Fair Value through P&L	Loans and receivables	Asset at Fair Value through P&L
Stocks, shares, bonds and other financial instruments in total	-	444 211 071	-	444 211 071
Mortgage loans and receivables	7 868 434	-	7 868 434	-
Bank deposits investment portfolio	3 880 582	-	3 880 582	-
<b>Total</b>	<b>11 749 016</b>	<b>444 211 071</b>	<b>11 749 016</b>	<b>444 211 071</b>

31.12.2018	Book value		Market value	
	Loans and receivables	Asset at Fair Value through P&L	Loans and receivables	Asset at Fair Value through P&L
Stocks, shares, bonds and other financial instruments in total	-	408 756 772	-	408 756 772
Loans and receivables	9 566 944	-	9 566 944	-
Bank deposits investment portfolio	1 462 744	-	1 462 744	-
<b>Total</b>	<b>11 029 688</b>	<b>408 756 772</b>	<b>11 029 688</b>	<b>408 756 772</b>

Financial assets at fair value through P&L	31.12.2019	31.12.2018
Listed securities	377 839 009	341 983 407
Unlisted securities	66 372 400	66 322 759

For more detailed information on carrying and fair values for financial instruments, please see notes 7 and 8.

### Fair value hierarchy

Government bonds, corporate bonds and other financial instruments that are traded in active markets where the fair value is determined on the basis of quoted market prices at the balance sheet date, are classified on level 1 in the pricing hierarchy. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in Level 2 Investments listed in the following have been classified on level two in the pricing hierarchy:

- Equity funds, government bond funds, corporate bond funds and high-yield bond funds. Values are determined on the basis of the quoted market prices of the assets the funds have invested in.

- Currency futures, interest rate futures, stock and equity options, credit default swaps and currency swaps. Values are determined on the basis of the price development on an underlying asset or instrument. The aforementioned categories of derivatives are being priced by using standard and well-recognised methods of pricing, such as option pricing models etc.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 Investments. The following have been classified on level three in the pricing hierarchy:

- Unlisted Private Equity investments. All of these are either investment in funds or in fund of funds. Values are determined on the basis of quarterly NAV (Net Asset Value) reports from the fund managers. These reports are prepared based on the IPEV (International Private Equity and venture capital Valuation) guidelines set forth by the Equity Venture Capital Association, or corresponding guidelines in the respective jurisdiction of the underlying funds. NAVs are calculated by the fund managers by making use of those methods of pricing in the IPEV and similar guidelines that are most suited to estimate actual value for each type of asset subject all relevant factors. Due to late reporting, NAVs as per the last quarterly reports are used in the accounts. The NAV from the most recent quarterly report are adjusted for capital distributions and/or capital calls in the period until 31.12.19, and might be adjusted if incidents of material character have occurred during the period since last reporting date. An example in this respect could be a substantial change in the market value of a listed company a Private Equity fund has invested in.
- Real Estate funds. As for Private Equity, values are determined on the basis of quarterly NAV reports from the fund managers. Minimum yearly, the values of all properties in the funds are assessed by a publicly authorised real estate agent or valuator. The assessed values of the properties adjusted for other assets and liabilities, and if relevant expected cash flow (for example differentials due to future requirements and /or regulation that will impact the future cash flow of the properties) make up the basis for the NAVs.

The Club uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Per 31.12.2019	Level 1	Level 2	Level 3
	Quoted active market prices	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data
<b>Financial assets at fair value through profit or loss:</b>			
Equity funds	-	49 600 714	-
Private equity funds	-	-	17 450 771
Real estate funds	-	-	35 514 055
Bonds	282 579 011	59 066 520	-
Loans	-	-	-
Financial derivatives	-	-	-
<b>In total</b>	<b>282 579 011</b>	<b>108 667 233</b>	<b>52 964 827</b>
<b>Financial debt</b>			
Financial derivatives	-	-1 408 157	-
<b>In total</b>		<b>-1 408 157</b>	

Per 31.12.2018	Level 1	Level 2	Level 3
	Quoted active market prices	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data
<b>Financial assets at fair value through profit or loss:</b>			
Equity funds	-	41 084 630	-
Private equity funds	-	-	20 263 732
Real estate funds	-	-	35 105 924
Bonds	241 252 276	69 833 877	-
Loans	765 732		
Financial derivatives	-	450 602	-
<b>In total</b>	<b>242 018 008</b>	<b>111 369 109</b>	<b>55 369 655</b>

The market value of the Private Market Investment portfolio has changed from USD 20.3 million per 31.12.18 to USD 17.8 million per 31.12.19. Drawdowns and new investments in the period were USD 0.7 million, while dividends and repaid investments amounted to USD 5.6 million.

The market value of the real estate funds have changed from USD 35.1 million per 31.12.18 to USD 35.5 million per 31.12.19. There were no new investment or drawdowns in 2019. Dividends and repaid investments amounted to USD 1.5 million.

## Note 7 - Stocks and shares

	Currency	ISIN	Org.number	Acquisition cost	Book value	Market value
<b>Equity fund</b>						
Skagen Kon-Tiki	NOK	NO0010140502		2 658 108	2 671 483	2 671 483
Cantillon Global Equity Fund	USD	IE00B3KF5S87		8 529 306	14 437 493	14 437 493
Nordea Stabile Askjer Global Etisk	NOK	FI0008800990		7 003 733	13 090 981	13 090 981
Orbis SICAV Global Equity Fund	USD	LU0334985271		2 670 684	3 889 674	3 889 674
Sands Capital EMG Fund	USD	IE00BDFMDW42		2 649 536	3 986 185	3 986 185
Longview Global Equity Fund	USD	LU0507273943		7 082 581	11 514 898	11 514 898
<b>Equity fund in total</b>				<b>30 593 948</b>	<b>49 600 714</b>	<b>49 600 714</b>
<b>Private investments</b>						
Storebrand International Private Equity VI	NOK			105 254	225 867	225 867
Storebrand International Private Equity 19	NOK			116 955	104 324	104 324
Nordea Private Equity II	EUR			1 283 453	6 652	6 652
Nordea Private Equity III	EUR			1 363 093	779 975	779 975
Barings Global Private Loan Fund II	EUR			6 439 547	6 139 088	6 139 088
Partner Group Secondary 2008	EUR			1 190 095	1 204 691	1 204 691
Bluebay Direct Lending Fund II SLP	EUR			1 857 7561	2 348 408	2 348 408
Partner Group Infrastructure	EUR			1 121 344	1 901 882	1 901 882
Union Real Estate Fund	NOK			812 497	1 475 137	1 475 137
Partner Group Direct Mezzanine	USD			2 822 671	3 124 573	3 124 573
Aberdeen Eindomsfond Asia	NOK		890 687 792	4 021 054	72 046	72 046
Prime Office Germany	NOK		990 405 131	2 799 845	68 128	68 128
<b>Private investments in total</b>				<b>23 933 564</b>	<b>17 450 771</b>	<b>17 450 771</b>
<b>Real estate fund</b>						
Aberdeen Eiendomsfond Norge I IS	NOK		090 068 733	23 497 632	20 484 054	20 484 054
Aberdeen Eiendomsfond Norge I AS	NOK		997 592 816	239 376	206 905	206 905
Pareto Eiendomsfelleskap AS	NOK		992 043 415	140 652	124 985	124 985
Pareto Eiendomsfelleskap IS	NOK			12 998 722	12 238 241	12 238 241
Union Core REF IS	NOK		916 162 332	2 330 363	2 435 312	2 435 312
Union Core REF AS	NOK			24 206	24 560	24 560
<b>Real estate in total</b>				<b>39 230 937</b>	<b>35 514 055</b>	<b>35 514 055</b>
<b>Stocks and shares in total</b>				<b>93 758 449</b>	<b>102 565 540</b>	<b>102 565 540</b>
<b>Remaining commitments (in local currency):</b>						
Nordea Private Equity II	EUR					346 484
Nordea Private Equity III	EUR					280 040
Partners Group Secondary 2008	EUR					1 157 463
Bluebay Direct Lending Fund II SLP	EUR					1 812 957
Barings Global Private Loan Fund II	EUR					480 000
Partners Group Infrastructur	EUR					360 501
Partners Group Mezzanine	USD					177 331
Union Real Estate Fund	NOK					6 714 388
Partners Group Life 2018	EUR					5 000 000
Storebrand International Private Equity 19	NOK					9 000 000



## Note 8 - Bonds and Foreign Exchange Contracts

	Currency	Nominal	Acquisition cost	Market value/Book value incl. acc. int.
<i>Bonds discretionary mandates</i>				
Government bonds	USD	129 806 968	129 576 305	131 544 370
Corporate bonds	USD	148 838 787	149 101 798	151 034 641
<b>Bonds discretionary mandates in total</b>		<b>278 645 755</b>	<b>278 678 103</b>	<b>282 579 011</b>
<i>Investment grade bond funds</i>				
Nordea SICA V 1 US Corporate Bond Fund	USD	-	11 754 131	14 303 067
<b>Investment grade bond fund in total</b>		<b>-</b>	<b>14 754 131</b>	<b>14 303 067</b>
<b>High yield bond funds</b>				
Barings Cap GlobalHY BondFund Tranche A	USD	-	3 482 476	4 721 175
Shenkman Finsbury High Income	USD	-	8 821 573	11 324 479
Nordea US High Yield	USD	-	5 101 723	5 843 942
<b>High yield bond funds in total</b>		<b>-</b>	<b>17 405 773</b>	<b>21 889 857</b>
<b>Government Bond funds</b>				
BlueBay EM Bond Fund	USD	-	7 488 023	9 177 147
Ashmore SICAV EM Sovereign Debt Fund	USD	-	13 260 067	13 696 710
<b>Government bonds funds in total</b>		<b>-</b>	<b>20 748 091</b>	<b>22 873 857</b>
<b>Bonds in total</b>		<b>-</b>	<b>328 586 097</b>	<b>341 645 530</b>
<b>Other financial instruments</b>				
<b>Foreign currency exchange contracts</b>		<b>-</b>	<b>-</b>	<b>- 1 408 157</b>
<b>Interest rate swap</b>		<b>-</b>	<b>-</b>	<b>-</b>

There are no open interest rates futures as of 31.12.2019.

Currency swap contracts overview:

Due date	Amount sold (in millions)		
	EUR	GBP	NOK
15.01.2020	-	-	1.8
17.01.2020	-	-	45.6
15.02.2020			1.8
18.02.2020			90.5
24.02.202	10.8		
15.03.2020			1.8
27.03.2020			44.8
30.03.2020			90.5
15.04.2020			1.8
15.05.2020			1.8
22.05.2020	5.4	8.5	
15.06.2020			1.8
15.07.2020			1.8
15.08.2020			1.8

## Note 9 - Taxes

<b>Tax expense for the year</b>	<b>2019</b>	<b>2018</b>
Taxes payable	3 700 680	759 619
Correction previous years provision	343 100	
Change in deferred tax	-9 164 593	-5 963 950
<b>Total tax expense for the year</b>	<b>-5 120 813</b>	<b>-5 204 331</b>
<b>Specification of tax expense for the year</b>		
Earnings before tax	-7 499 277	4 128 498
Conversion effect	3 951 116	20 892 119
<b>Earnings before tax</b>	<b>-3 548 161</b>	<b>25 020 617</b>
Permanent differences (due to none tax-deductible expenses)	904 767	742 212
Permanent differences (tax-except investment)	-15 969 835	-8 949 555
Change in temporary differences	33 415 950	21 322 175
Used loss carried forward	-0	-35 096 974
<b>Basis taxes payable in statement of comprehensive income</b>	<b>14 802 722</b>	<b>3 038 476</b>
Group Contribution with effect on taxable income	-400 897	-771 960
<b>Taxable income</b>	<b>14 401 824</b>	<b>2 266 516</b>
<b>Taxes payable 25%</b>	<b>3 600 456</b>	<b>566 629</b>
<b>Taxes payable - balance sheet</b>		
Tax payable in tax expense	3 700 680	759 619
Effect of Group Contribution	-100 224	-192 990
<b>Tax payable - balance sheet</b>	<b>3 600 456</b>	<b>566 629</b>
<b>Specification of the basis for deferred tax</b>		
Fixed Assets	1 897 864	2 002 642
Receivables	-757 000	-605 000
Pension liabilities	-4 065 191	-4 040 684
Bonds and financial derivatives	24 134 510	25 938 082
Risk provision	252 012 656	286 509 761
Stocks and shares	215 464	284 782
P/L Accounts	26 902	33 982
Net temporary differences	273 465 204	310 123 566
Loss carried forward	-	-
<b>Basis for deferred tax in the balance</b>	<b>273 465 204</b>	<b>310 123 566</b>
<b>Deferred tax 25 %</b>	<b>68 366 301</b>	<b>77 530 891</b>
<b>Specification of tax expense for the year</b>		
25% tax on net income	-887 040	6 255 154
Correction previous year's provision	343 097	-
Currency effect deferred tax	-810 603	-4 646 344
Effect of correction in deferred tax	-	-4 761 306
Effect of change of tax percentage deferred tax	-	-
Tax effect from permanent differences	-3 766 267	-2 051 836
<b>Estimated tax expense</b>	<b>-5 120 813</b>	<b>-5 204 331</b>



## Note 10 – Guarantees Not Presented in Balance Sheet

As claims leader, Norwegian Hull Club may issue guarantees to third parties on behalf of clients to cover liabilities incurred in connection with collisions, salvage scenarios or other types of third-party claims. Such guarantees will be issued on 100 % basis, thereby including the liabilities of co-insurers that will counter-guarantee Norwegian Hull Club's liability for their respective shares.

Value of guarantee		
	Maximum value	Estimate net liabilities
Guarantees provided by the undertaking, including letters of credit	<b>131 390 207</b>	<b>27 005 152</b>

## Note 11 – Claims Expenses

	31.12.2019	31.12.2018
Gross accrued claims	199 149 522	149 767 798
Reinsurers' share of gross claims	-18 225 881	-33 676 223
<b>Claims for own account</b>	<b>180 923 640</b>	<b>116 091 575</b>
Run off gain (+)/loss (-) gross	-11 202 193	-8 713 920
Run off gain (+)/loss(-) for own account	-6 446 284	1 176 206
<i>Accrued claims equals paid claim and changes in reserves.</i>		

## Note 12 – Technical Reserves for Own Account

	31.12.19	31.12.18
Unearned gross premium provision	115 100 329	83 164 845
Reinsured proportion of gross premium provision	-19 990 910	-17 997 870
<b>Unearned premium provision for own account</b>	<b>95 109 419</b>	<b>65 166 975</b>
Gross claims provision	229 097 411	227 474 826
Reinsured proportion of gross claims provision	-37 455 901	-67 071 675
<b>Claims provision for own account</b>	<b>191 641 510</b>	<b>160 403 151</b>
<b>Total risk provision etc.</b>	<b>286 750 929</b>	<b>225 570 126</b>

## Note 13 – Solvency II Capital Requirements & Position

The below table summarises the solvency conditions in terms of Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR) and Own Funds in USD 1000.

### Solvency II - capital requirements and position

	2019		2018	
	SCR	MCR	SCR	MCR
Eligible own funds	373 946	308 800	350 145	300 854
Capital requirement	158 406	42 507	142 165	35 541
Difference	215 540	266 293	207 980	265 313
Ratio	236 %	726 %	246 %	846 %

For further details please see the Solvency Financial Condition Report.

## Note 14 - Solvency II Balance Sheet

Due to different valuation principles there will be deviations between the Solvency II balance and Statutory accounts. A summary of the differences is shown below:

	Solvency II	Statutory Accounts	Comment
Unearned Gross Premium	115 100 329	115 100 329	
Expected Profit in unearned premium	-13 380 476	-	Negative = profit
Expected Profit in written 2020 business	-2 589 459	-	Negative = profit
Expected Profit in long-term policies	-1 777 548	-	Negative = profit
Non due premium receivables	-105 724 630	-	Reclassification
Discounting	-2 327 452	-	
<b>Gross Premium Provision</b>	<b>-10 699 236</b>	<b>115 100 329</b>	

	Solvency II	Statutory Accounts	Comment
Unearned Reinsurance Premium	19 990 910	19 990 910	
Expected Profit in unearned premium	-1 314 305	-	Negative = ceded
Expected Profit in written 2020 business	-263 142	-	Negative = ceded
Expected Profit in long-term policies	-254 179	-	Negative = ceded
Discounting	-486 798	-	
Payables reinsurance	-11 220 354	-	Reclassification
<b>Reinsured proportion of gross premium provisions</b>	<b>6 452 133</b>	<b>19 990 910</b>	



## Note 15 – Reinsurers’ Result

	31.12.2019	31.12.2018
Reinsurers' share of gross premiums	46 960 745	30 886 158
Reinsurers' share of gross claims	18 225 881	33 676 223
Commissions incurred	-	-
<b>Reinsurers' result</b>	<b>28 734 864</b>	<b>-2 790 065</b>

## Note 16 – Geographical Distribution of Gross Premium Earned from Direct Insurance

	31.12.2019	31.12.2018
Norway	42 273 901	35 763 984
Countries covered by the EEA agreement	79 458 890	79 350 435
Other countries	81 419 765	51 245 971
<b>Total</b>	<b>203 152 556</b>	<b>166 360 389</b>

## Note 17 – Earned Premium and Claims Per Lines of Business

	Marine	Medical	Total
Gross written premium	226 689 715	14 065 541	240 755 257
Gross earned premium	191 282 857	11 869 699	203 152 556
Reinsurance premiums	44 492 752	2 467 994	46 960 745
<b>In total</b>	<b>146 790 105</b>	<b>9 401 706</b>	<b>156 191 811</b>
Gross claims	-176 660 260	-11 287 069	-187 947 329
Run off gain (+) / loss (-) gross	-10 462 556	-739 637	-11 202 193
<b>Gross accrued claims</b>	<b>-187 122 816</b>	<b>-12 026 706</b>	<b>-199 149 522</b>
<b>Reinsurers share of gross claims</b>	<b>17 111 877</b>	<b>1 114 005</b>	<b>18 225 881</b>
<b>Claims for own account</b>	<b>-170 010 940</b>	<b>-10 912 701</b>	<b>-180 923 640</b>

## Note 18 – Insurance Provisions Per Lines of Business

	Marine	Medical	Total
Unearned gross premium provision	110 951 462	4 148 867	115 100 329
Gross claims provision	221 291 179	7 806 232	229 097 411

## Note 19 – Events After 2019 Year End

Since the second half of February 2020, global business has been significantly impacted by the COVID-19 virus and the measures taken by authorities to slow and limit its spread. There is – at the time of writing – little clarity regarding how long extraordinary measures will be kept in place, or what the long-term effects of the pandemic will be on the real economy.

Norwegian Hull Club is exposed to effects of the pandemic both in underwriting and investment operations. Underwriting exposure relates to business and trade disruption for units insured, as well as medical and liability insurance for crews. At the time of adoption of this report, this exposure is not regarded as high when taking reinsurance into account. However, transportation and other economic activity have reduced following COVID-19. Consequent measures, such as the lay-up of vessels, reduce underwriting exposure. The net effect of COVID-19 is, therefore, difficult to estimate in detail.

The Club's investment portfolio has been negatively impacted by COVID-19. Initially, losses from equities were offset by gains on bond holdings from lower interest rates. As interest rates levelled out, equities continued to fall and credit spreads widened, leading to nominal losses. A large proportion of these losses are most likely transitory.

The Club's capital adequacy has been maintained as the capital requirement from investments has also been reduced.



# AUDITOR'S REPORT

To the General Meeting of Norwegian Hull Club - Gjensidig Assuransforening

## Independent Auditor's Report

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Norwegian Hull Club - Gjensidig Assuransforening, which comprise the balance sheet as at 31 December 2019, the statement of comprehensive income, development in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

(2)



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### *Report on Other Legal and Regulatory Requirements*

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the total comprehensive income is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 24 March 2020  
PricewaterhouseCoopers AS

Marius Kaland Olsen  
State Authorised Public Accountant



# CORPORATE GOVERNANCE

Norwegian Hull Club is subject to supervision by the Financial Supervisory Authority of Norway. In addition, The Club's governing bodies have adopted separate internal regulations regarding corporate governance issues.

## General Meeting

Members of The Club, clients that write business on a mutual basis, vote at the general meeting.

## Committee

The Committee elects the Board of Directors, recommends annual accounts to the General Meeting and supervises the Board of Directors and management. The members of the Committee are elected from the members, i.e. the owners, of The Club.

## Board of Directors

The Board of Directors is responsible for setting out the strategy, including risk tolerance, and generally overseeing the daily management of The Club. Up to two members of the Board of Directors can be independent; the others represent members of The Club. The Board of Directors has audit, risk and compensation sub-committees. The Chair of the Audit Committee is independent of The Club.

## Audit Committee

The Audit Committee is a sub committee of the Board of Directors. Its responsibility is to discuss significant accounting issues with management and the external auditor and to assess procedures adopted for preparing the accounts. The Audit Committee shall further assess the independence of the external auditor, discuss audit issues with external and internal auditors, assess the auditors' work and make recommendations to the Board of Directors regarding election of external and internal auditors.

## Risk Committee

The Risk Committee is a sub committee of the Board of Directors. Its responsibility is to supervise Norwegian Hull Club's total risk and regularly consider if The Club's management and control systems are adapted to the risk level and scope of the operations. The Risk Committee shall further regularly consider the continuous compliance with capital requirements and requirements for technical insurance provisions; it shall regularly consider the appropriateness of the risk management system; it shall follow up the key actuary, compliance, risk management and functions.

## Compensation Committee

The Compensation Committee is also a sub committee of the Board of Directors. The Compensation Committee makes recommendations to the Board of Directors on the compensation of the CEO as well as the structure of general compensation and oversees compensation for the management team.

## Election Committee

The Election Committee makes recommendations on candidates for the various governing bodies. The Election Committee shall have at least five members. At least one member shall have served on the Board of Directors during the last five years.

The Election Committee consists of the Chairman of the Committee, the last retired Chairman of the Board of Directors and three members elected by the General Meeting.

According to the instructions for the Election Committee, the Chairman of the Committee and members of the Board of Directors shall, in general, not be re-elected after ten years of service.



# SUSTAINABILITY REPORT



## Executive summary

As part of its Annual Report for 2019, Norwegian Hull Club presents the company's first Sustainability Report. It is GRI Standards (Global Reporting Initiative) inspired and, in future editions, The Club seeks to report on a core level utilising this recognised set of standards.

Sustainability is incorporated in Norwegian Hull Club's strategy and core business, expressed through The Club's mission "to secure people, health, environment and property". Norwegian Hull Club has a mutual interest with clients to reduce the risk of events that may have a negative effect on surroundings and environment. When incidents occur, The Club makes use of its expertise, experience and global network to contribute to minimise negative consequences.

Norwegian Hull Club's pro-active approach to emergency response extends into the loss prevention and loss-mitigation activities offered to members and clients, reflecting The Club's focus on knowledge sharing to the benefit of people and the planet. Such knowledge sharing comes in the form of training for clients' onshore and offshore staff, workshops, seminars as well as operational warnings and newsletters. The knowledge is based on company case studies, statistics, experience and a forward leaning curiosity to understand emerging risks.

Through its subsidiary Marine Benefits, Norwegian Hull Club provides health insurance to seafarers and their families as well as performing studies on seafarers' physical and mental health. The cover enables access to quality healthcare, both for the crew and his/her family, whether at home or at sea. The studies and survey projects Re:fresh and Re:start seek to identify areas for improvement when it comes to crew members' nutrition, social and physical activity, as well as sleeping habits.

This report also presents Norwegian Hull Club's work to secure a good and stable workplace for all employees in relation to training, equal rights and diversity, and how The Club focuses on being a responsible investor.

Norwegian Hull Club has engaged in partnerships and sponsorships supporting global sustainability for a long time. The focus area for these partnerships has, nevertheless, changed in that time. For a number of years now, The Club has concentrated on engaging in partnerships that support the company's knowledge-sharing concept. The Club is actively working to expand its contribution to meeting the United Nation's sustainable development goals, with a special focus on:

- SDG 3 - Ensure healthy lives and promote well-being for all at all ages.
- SDG 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- SDG 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- SDG 17 - Strengthen the means of implementation and revitalise the global partnership for sustainable development.

The reader will find that the report is descriptive in its form. The process of preparing the first report has revealed the need for defining clearer targets and ways of measuring improvements related to the material topics defined, based on surveys and workshops with key stakeholders. Future sustainability reports from Norwegian Hull Club will present and call attention to distinct performance indicators.



## Organisational profile

Norwegian Hull Club is a mutual marine insurance company serving clients worldwide. As conveyed by the company slogan 'Expect More', The Club aims to be the number one service provider. The service concept includes claims handling, emergency response support, preventive and mitigating training for clients' onshore and offshore personnel, benchmarking services for clients, operational, technical and legal advices as well as general knowledge sharing. The Club ranks as one of the world's largest pure marine underwriters and insures more than 11,000 unique vessels and units in total. Around 6,000 of these are on claims lead with The Club. The company employs 128 people and has offices in Bergen (main office), Oslo, Kristiansand and London.

Norwegian Hull Club is also dedicated to serving the needs of its clients tomorrow and has, therefore, focused strongly on digital solutions ever since the foundation of its subsidiary company Insurance Technology Solutions (Instech Solutions) in 1994. Instech Solutions develops innovative marine insurance software that supports the transformation of The Club's product and service provision, as well as the long-term needs of the industry. The company employs 16 people in Bergen.

Norwegian Hull Club's other subsidiary company, Marine Benefits, prides itself on being the shipping industry's leader in employment benefit solutions for seafarers, offering 'Medical Plan' as well as 'Crew P&I' insurance. The company employs 10 people in Bergen, 59 people in Manila, one person in Malmö and one person in Singapore.

### Ownership

Clients writing hull insurance on a mutual basis are owners, referred to as 'members'. Members are owners and managers of insured units. The largest members have less than 10% ownership and there are, therefore, no controlling persons in The Club.

### Governance

Members of Norwegian Hull Club - clients that write business on a mutual basis - vote at the general meeting according to the Norwegian Limited Companies Act § 5-2.. Members have votes according to the members' share of The Club's mutual earned premium in the preceding calendar year. Joint Members have, together, as many votes as if the insurance agreement had been entered into by one member. The right to vote on behalf of the Joint Members shall be vested in the member named first in the insurance agreement.

The Committee elects the Board, recommends annual accounts to the General Meeting and supervises the Board and management. The members of the Committee are elected from the members, i.e. the owners, of Norwegian Hull Club.

The Board is responsible for setting out the strategy - including risk tolerance - and generally overseeing the management of Norwegian Hull Club. Up to two members of the Board can be independent; the others represent members of The Club. The Board has audit, risk and compensation sub-committees. The Chair of the Audit Committee is independent of Norwegian Hull Club.

The Audit Committee is a subcommittee of the Board. Its responsibility is to discuss significant accounting issues with management and the external auditor, as well as assess procedures adopted for preparing the accounts. The Audit Committee shall further assess the independence of the external auditor, discuss audit issues with external and internal auditors, assess auditors' work and make recommendations to the Board regarding election of external and internal auditors.

The Risk Committee is a subcommittee of the Board. It is responsible for supervising The Club's total risk and regularly considers whether the management and control systems are adapted to the risk level and scope of operations. The Risk Committee also assesses continuous compliance with capital requirements and requirements for technical insurance provisions, as well as the appropriateness of the risk management system. It shall follow up the key functions actuary, as well as compliance and risk management.

The Compensation Committee is also a subcommittee of the Board. It makes recommendations to the Board regarding the compensation of the Chief Executive Officer as well as the structure of general compensation, including compensation for the management team.

The Election Committee makes recommendations regarding candidates for the various governing bodies. The Election Committee shall have a minimum of five members. At least one member shall have served on the Board of Directors during the preceding five years. According to the instructions for the Election Committee, the Chairman of the Committee and members of the Board shall, in general, not be re-elected after ten years' service.

The Club has established the four key independent control functions required under the Solvency II Directive - risk management, compliance, actuarial and internal audit. These functions are responsible for providing an overview of challenges to the business and for providing assurance to the Board in relation to Norwegian Hull Club's control framework.

The company's remuneration policy is adopted by the Board on an annual basis. In addition to fixed salary, up to 8 % of the operating result in any year may be allocated to employees by way of a bonus.

As a mutual insurance company, The Club will - by definition - enter into commercial agreements with member owners and with members of the Board of Directors. None of these transactions are considered material in relation to Norwegian Hull Club's business volume.

### Market and market share

The Club writes a global book of covers including Hull & Machinery, Loss of Hire, Increased Value, War, Yacht, Builder's Risks, Energy (fixed and floating) insurance - operation and construction. In addition, P&I covers are provided to owners and charterers. Marine and Energy insurance is placed and written globally, mainly through brokers.

A major part of the business is with international clients. Norwegian Hull Club has an approximate 27 % share of the Nordic market (defined as business written by companies operating from the Nordic countries), which accounts for about 10 % of global hull premium. The Club, therefore, has a 2.5 % market share of global hull business. The Nordic market has its own conditions (<http://www.nordicplan.org/>), in which the role as claims leader is distinct and important. Norwegian Hull Club has long-held experience as claims leader and the role is an important part of its service offering. The company has a branch office in London, writing business produced by London brokers as well as maintaining existing business relationships.

### Insurance risk supply chain

Insurance is all about distribution and mitigation of risk. In marine insurance, the supply chain is reflected in the typical Scandinavian business model and market structure: the ship owner purchases insurance directly or through a broker, while Norwegian Hull Club mitigates its own risk by purchasing reinsurance through reinsurance brokers. The Club operates with clients such as shipping companies, insurance brokers and reinsurance brokers worldwide. It outsources and has outsourcing arrangements only where there is a sound commercial basis for doing so and where the risk can be effectively managed. A due-diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. This addresses all material factors that would impact on the potential service provider's ability to perform the business activity.

The Club's supply chain features (but is not limited to) outsourcing activities. The company has established an Outsourcing Policy to cover the requirements for identifying, justifying and implementing material outsourcing arrangements. This policy, adopted by the Board, sets out:

- Roles and responsibilities
- Definition of outsourcing
- Criteria for outsourcing
- Assessing outsourcing risks
- Contracts and confidentiality agreements
- Assess controls
- Security audits
- Outsourcing audit

For the time being, Norwegian Hull Club has outsourced the following operational functions or activities:

- Internal Audit - located in Norway
- IT Infrastructure - located in Norway
- Administrative support and service - located in Norway and the Philippines
- Investment management of two discretionary mandates - one manager located in the US and the other in the UK
- Underwriting of Medical Plan and Crew P&I - located in Norway
- Claims services of Medical Plan and Crew P&I - located in Norway, Singapore and the Philippines.

There have been no significant changes to the organisation and its supply chain in 2019.

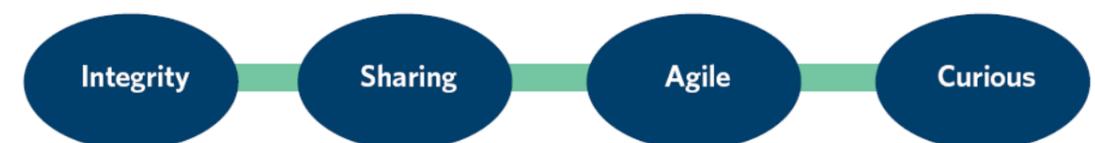


VALUES FOCUS Norwegian Hull Club's Annual Kick Off Event 2019

### Company values

Norwegian Hull Club established its four new corporate values in 2019. They resulted from a workshop with all employees during that year's annual kick-off seminar. The workshop provided input to the top management group, ensuring that the core beliefs eventually landed on were well-anchored throughout the organisation. The new values were approved by the Board. Employees are encouraged to act by these values daily.

They are also included as topics in each employee's annual appraisals, thereby ensuring that these values support the vision of the company and help shape its culture. Norwegian Hull Club believes these new values also create value for all stakeholders, as well as the company, by helping facilitate the shift towards a sustainable marine insurance industry in the future.



## **INTEGRITY**

*"We believe in doing 'the right thing' - in holding ourselves to the highest ethical, professional and sustainability standards. This belief is the foundation of everything we do: integrity forms the bedrock of our business and our long-term, valued relationships. It is a matter of trust."*

## **SHARING**

*"We are committed to knowledge sharing. By promoting such a culture, both internally and within the maritime industry, we better protect lives, health, the environment and assets. This approach is also the cornerstone of our social responsibility program, delivering greater opportunities through increased knowledge."*

## **AGILE**

*"Our organisation is designed to adapt quickly - to assess conditions promptly and react optimally. This enables us to provide a superior, tailor-made service to our clients, featuring dedicated support and future-oriented solutions founded on nearly 200 years' experience."*

## **CURIOS**

*"Our team members are not afraid to challenge convention; to ask, "Is there a better way?" for our clients and the industry we serve. We encourage such passionate curiosity - it has helped us become innovators in our field, setting new standards in solutions and services."*



## Managing sustainability

The focus on sustainability in the marine industry is both increasing and welcomed. Although sustainability reporting is not yet a requirement, The Club is committed to staying out in front in this respect and, this year, presents its first Sustainability Report. Norwegian Hull Club believes in the positive effects of transparency and drawing attention to topics for improvement. The reporting of information regarding economic, environmental, social and governance performance in relation to sustainability is strived for. However, the intention is not just to report - it is also the aim to internalise and improve The Club's commitment to sustainable development in a way that can be demonstrated to both internal and external stakeholders, ensuring that sustainability and profitability go together.

Norwegian Hull Club has chosen to base its reporting on the GRI Standards and the report is, therefore, GRI inspired. It is the ambition of the company to report on a GRI core level in the future. In the coming years, The Club also expects requirements related to sustainability reporting to emerge from the European Insurance and Occupational Pensions Authority (EIOPA) as they revise the Solvency II regime. This might also affect the content of the report.

Norwegian Hull Club's mission is to secure lives, health, environment and property; a sustainable approach to emergency response and the claims handling process is, therefore, at the very heart of what the company believes in and what it does. Integrity is the backbone of the business and one of The Club's four values; business is conducted in accordance with strict ethical guidelines. The Club is also a valued workplace as well as a service provider likely to be recommended by clients. As such, Norwegian Hull Club rests upon a solid and sustainable foundation.

During the process of putting together a sustainability report, The Club has nevertheless become more aware of how strong this foundation is, while also spending much time reflecting on how it can improve through increased focus on being a sustainable company.

An internal committee was formed to make sure that the topic will remain high on the agenda. The committee is headed by the company CEO, supported by other members of the top management group, as well as key personnel from other departments. The internal committee leads the sustainability work in Norwegian Hull Club.

The close links between sustainability reporting, sustainability strategy, sustainability policy, stakeholders and material topics form a wheel which new insight and experience will keep in motion and lead to changes and improvements that affect all components. The work on this report has consequently led to new insight that The Club will implement in its strategy and sustainability policy.

As part of the working process of preparing this report, the need for more clearly defined targets and reporting parameters for some of The Club's core activities has been revealed. This has led to many valuable reflections and discussions around the best way of defining such targets, as well as reliable ways of measuring them. Instead of defining targets merely for the sake of doing so - without a firm, trustworthy foundation - the reader will see that Norwegian Hull Club has landed on a more descriptive approach. The company has, however, begun various means of measuring as a result of working with the report. The Club will revert with defined goals and parameters for the various material topics in future reports. The decision was taken to issue this report, regardless of its shortcomings, to show that Norwegian Hull Club is committed to sustainability reporting.

### Stakeholder involvement

Various representatives for Norwegian Hull Club's Key Stakeholders have been involved in the process of producing The Club's first sustainability report. Governing Bodies have been represented by both the Board of Directors (BoD) and the Committee. The BoD has played an active role throughout the process through regular dialogue on Board meetings. The members of Norwegian Hull Club's Committee gave valuable input by means of a workshop.

A survey was sent to The Club's clients and to the insurance brokers involved in Norwegian Hull Club's business. In addition, all employees in Norwegian Hull Club and its two subsidiaries, Marine Benefits and Insurance Technology Solutions, have been asked for their input via a survey. Furthermore, Norwegian Hull Club approached its surveyors network for input regarding cooperation for sustainability in a seminar held last autumn. The Club also discusses the topic with its Nordic competitors in Cefor - The Nordic Association of Marine Insurers, both at a Board level and in the ESG working group.

During the process Norwegian Hull Club has also had a meeting with the Norwegian Government, presented by the Financial Supervisory Authority of Norway (FSA), to discuss The Club's approach to sustainability as well as the expectations of the FSA.



Other key stakeholders that have not been approached for input for material topics this first year are reinsurance companies, other special interest organisations, salvage companies, audit companies, investment managers and banks.

### Material Topics

In the process of identifying relevant material topics, Norwegian Hull Club began with the company's strategy and business model; it did the same for its subsidiaries. The internal committee further explored the GRI Standards and the GRI G4 Financial Services Sector Disclosures to identify topics. Other sources of inspiration in the process were global competitors, the general insurance industry, clients, media, governmental authorities and industry associations. Several of the key stakeholders were involved in the process of identifying material topics.

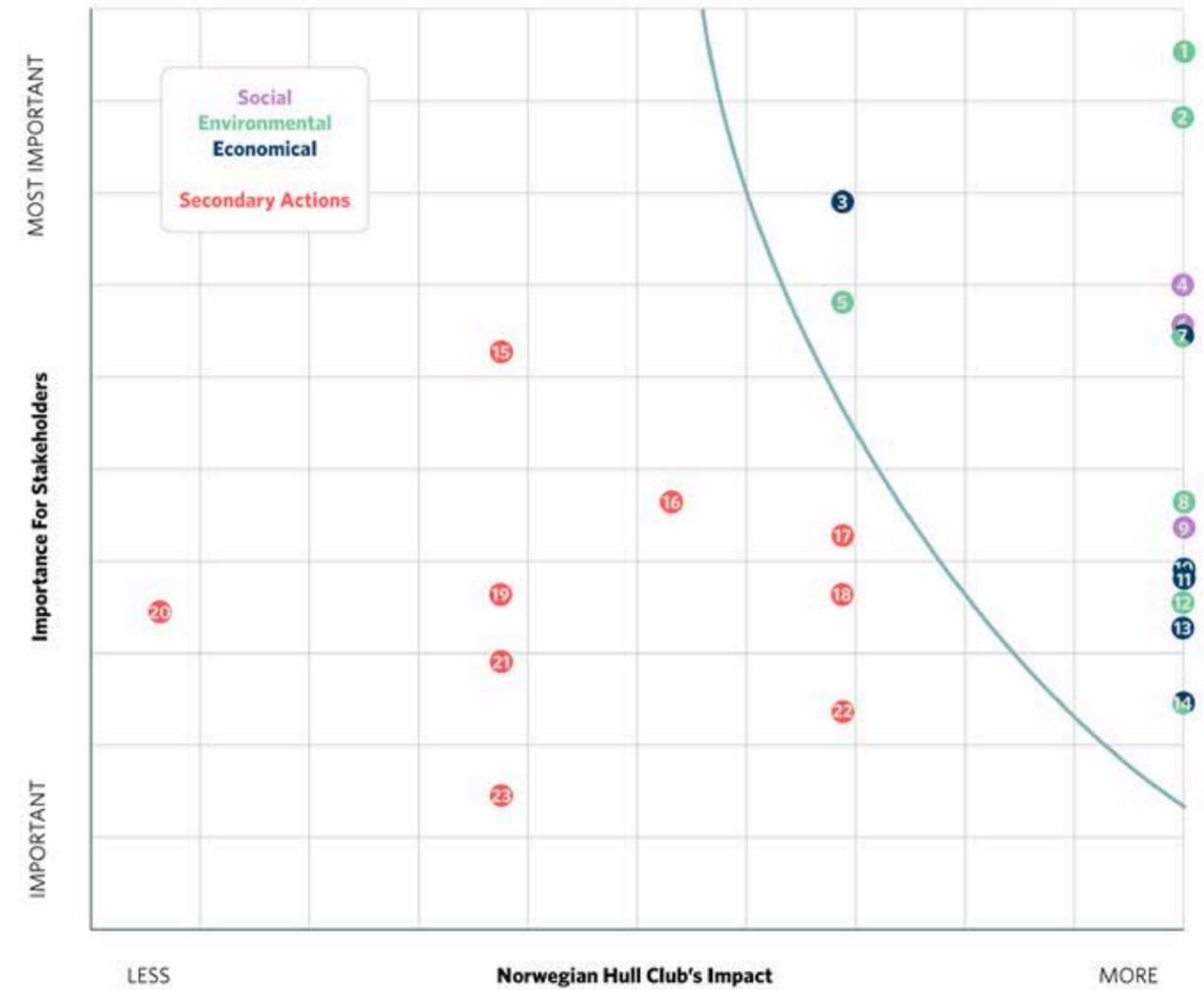
After assessing all the input, Norwegian Hull Club ended up with a list of 23 topics. It proceeded to ask clients, brokers and employees to what degree they expect Norwegian Hull Club to take measures to contribute to a more sustainable future through:

- Preventive and mitigating emergency training for onshore and offshore crew
- Providing clients with warnings related to operational risks
- Hands-on emergency response support to clients
- Hands-on claims handling to mitigate injuries, spill and damage
- Contributing to due diligence and sustainability (compliance, working conditions and waste/spill management) assessment of common suppliers (e.g. yards)

- Contributing to the development of insurance conditions tailored to adapt to a more sustainable industry
- Offering a health insurance (for off-hire periods) to seafarers from countries with low or no medical welfare system
- Conducting studies on clients' crew members' physical and mental health (mapping of a crew's working conditions)
- Expanding its renewable energy portfolio
- Developing "green" insurance products to support expanded use of environmentally friendly technology
- Contributing to the development of environmentally friendly technology
- Making use of data and technology to adapt for quicker decision making in emergencies
- Making use of data to identify new risks
- Reducing organisational/operational carbon footprint
- Developing employee skills and training
- Focusing on diversity in own organisation
- Securing equal rights and framework conditions for Norwegian Hull Club's employees
- Exclusionary screening: the exclusion of certain sectors, companies or practices based on specific ESG criteria.
- Best-in-class screening: invest in sectors, companies or projects selected for positive ESG performance relative to industry peers.
- Norms-based screening: screening of investments against minimum standards of business practice based on international norms, such as those issued for example by the OECD, ILO, UN and UNICEF.
- ESG integration: the systematic and explicit inclusion of environmental, social and governance factors into the investment analysis.
- Sustainability themed investments: investing in assets specifically related to sustainability (e.g. clean energy, green technology or sustainable agriculture).
- Corporate engagement and shareholder action: the use of shareholder power to influence corporate behaviour.

As many topics related to company governance are legal requirements, they are not included amongst the material topics but are covered in a separate section in the report.

When summarising the importance for stakeholders and comparing this to the company's impact on the various topics, The Club has prioritised a list of 14 material topics for reporting. The remaining nine topics, meanwhile, may be revisited in later reports if The Club's ability to impact them should change - or if they become increasingly important for our stakeholders.



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## The sustainable insurance company

Norwegian Hull Club's mission is to secure lives, health, environment and property; the company business model reflects this.

The Club believes that the claims experience and knowledge built over almost 200 years provides a degree of insight and readiness that enables The Club to reduce the negative outcome of incidents. This insight is, however, worthless unless it is shared. Norwegian Hull Club is committed to knowledge sharing and a pro-active approach to loss prevention, emergency response and the claims handling process; this is at the very heart of what The Club believes in and what it does.

A curious approach to every challenge is encouraged amongst employees. Norwegian Hull Club believes that having this as a company value will improve its ability to increase knowledge and assist clients when new risks emerge.

### Preventative and mitigating contingency training

In its loss prevention programme, The Club works closely with clients to find ways to better safeguard and prevent loss or damage to life, health, environment and assets.

The Club receives and processes around 2,500 claims annually. They provide insight into what can go wrong on board vessels and offshore units and experience of handling emergencies together with clients. Based on this insight and experience, Norwegian Hull Club organises some 300 activities annually through which it can share and discuss issues related to preventing losses, as well as how best to respond when an incident occurs.

One initiative is The Club's Loss Prevention Committee, where a broad spectrum of industry and relevant non-industry specialists, clients and members are united in the aim of improving best practice through knowledge sharing. The committee, consisting

of representatives from 35 of The Club's clients, meets semi-annually to discuss general safety and security challenges as well as looking into emerging risks together. These meetings also generate insight that can be used in The Club's general training programme where the main activity is to plan and facilitate tailor made, one-to-one training for clients. These activities include workshops, table-tops, larger training scenarios, seminars and courses for clients' office personnel. It also includes workshops, seminars and courses for clients' crew members at officers' conferences.

Surveys conducted amongst clients and brokers show that companies that have attended training with The Club are highly appreciative of this offering. Norwegian Hull Club is satisfied with the average score of 4.52 out of 5 and its ambition is to maintain such a level in years to come. It also shows that those participating have higher expectations to Norwegian Hull Club's sustainability programme, with a specific focus on the factors relating to training and innovation for a sustainable future. This gives The Club reason to believe that these measures have the desired effect on its contribution to protecting lives, health, environment and property. The search will continue, however, for additional ways to measure and better identify where the company has to improve its efforts.

### Hands-on emergency response and claims handling

When an incident occurs involving a client, The Club possesses both the expertise and the technology to provide experience-based, real-time support. From a dedicated Emergency Response Room the latest technology is utilised and combined with best practice and knowledge from both in-house experts and external strategic partners. Such real-time situational awareness capability - quickly generated via such channels as AIS-based tracking systems, weather monitoring, satellites and social media monitoring - helps Norwegian Hull Club ensure that its clients are better informed so that they make crucial, early decisions. Norwegian Hull Club has developed its toolbox over time and keeps including new resources, both open and subscription, in order

to provide a service that harnesses the latest technology. A dedicated team is continuously trained in using the tools in emergency situations and is an important resource in The Club's emergency response team. This emergency response team also consists of in-house legal, technical and claims resources.

In case of an incident, Norwegian Hull Club will assist the client in managing the crisis, focusing on supporting the client with the aim to minimise the potential for loss of life, injury, pollution and damage to the environment, damage to the vessel, her cargo and other property. In addition to the in-house knowledge and support, Norwegian Hull Club assists by utilising its global network of correspondents, qualified surveyors, legal representatives and other experts as required.

This knowledge is also used as a preventive measure, in cases where The Club is called upon to provide operational advice on such challenges as heavy weather, trading in ice/arctic conditions, war/ piracy, cyber, passage planning and special risks. Norwegian Hull Club also provides operational warnings related to heavy weather and security risks. These precautionary warnings are shared to all clients and brokers through newsletters, as well as a one-by-one service for vessels sailing in areas with higher security risks. It is difficult to measure the effect of these warnings, plus the frequency will also vary with the number of events imposing additional risk. The Club, however, has established routines and guidelines in order to secure warnings of all activity above a certain threshold of possibility. Going forward, The Club will examine how it can add other risks into this warnings regime.

Norwegian Hull Club handles around 2,500 claims of various severity every year. The figure is steadily growing, as the portfolio grows, but the severity differs from year to year. It is therefore also challenging to find a good, measurable target to aim for. It is the ambition of The Club to grow its claims lead portfolio, as it is strongly believed that the company's hands-on response affects the outcome of a claim. The Club's customer survey also confirms clients' satisfaction with its emergency response and claims handling service. A first target is, therefore, to keep the client satisfaction on the same level as it is today, with an overall satisfaction rating of clients' claims experience (for those who have experienced a claim in the past two years) at 4.52 out of 5.

#### Health insurance for seafarers

Norwegian Hull Club's fully-owned subsidiary, Marine Benefits, offers employment benefit solutions for seafarers through 'Medical Plan' and 'Crew P&I' insurance - innovative crew insurance solutions for the maritime industry. The insurance enables access to quality healthcare, both for the crew and his/her family, whether at home or at sea. These benefits have proven to bring about positive effects by providing peace of mind for the seafarer and their family, as well as for the ship owner. The products meet all the requirements of the Maritime Labour Convention (MLC) of 2006, the Amended Migrant Workers Act and the Data Protection Act.

More than 100,000 seafarers and family members have medical plan insurance from Marine Benefits. The ambition is to keep increasing this number, so that more people without a medical welfare system gain access to quality healthcare.

#### Conducting studies on clients' crew members' physical and mental health

Marine Benefits also has its own loss prevention programme. Aside from providing access to health care for the seafarer and his/her family, Marine Benefits promotes health and wellbeing for the international seafarer through Re:refresh, a healthrisk assessment programme. By assessing health from a holistic perspective, looking into areas such as living conditions, food, employment satisfaction, as well as physical and psychological health risks, the shipping company is given the opportunity to address areas where possible risks are found while, at the same time, create awareness and enable the seafarer to make healthy choices. Decent, safe working conditions are crucial for a healthy workforce which will, in turn, contribute to economic growth - for the individual seafarer, the shipping company and the shipping industry as a whole.

Seafarers (and people in general) suffer needlessly from preventable diseases and too many are dying prematurely. By addressing these risks among seafarers, Marine Benefits is part of the global efforts combatting such ailments, providing access to health care, promoting health, preventing disease, building awareness and empowering the seafarer and shipping company in regard to health and wellbeing.

Through Re:refresh, Marine Benefits has already conducted studies on 18,000 seafarers from India, the Philippines and Myanmar. A fourth study on Eastern European crew remains. The Re:refresh programme then enters the next phase, Re:start. This preventive initiative is a one-to-one company service, where crew members enter into a programme that focuses on eating healthily and getting enough sleep, as well as promoting physical and social activity on board. The vessels will be provided with nutrition and training guidelines and crew members will wear Fitbits to measure their sleeping and training activity. In addition, there will be two weekly common social activities on board, to help prevent crew members from isolating in their cabins outside working hours. The first test projects involving 5,000 crew members are underway. It is further planned to offer this service to 12-14 individual companies.



#### Making use of data to identify new risks

With claims data for more than 11,000 vessels and units, Norwegian Hull Club gains the same statistical experience in one day as a fleet of 30 vessels gains in one year. For over two decades, The Club has actively used statistics in pricing, selection and risk management. The insurance data is combined with operational and technical details from external data providers and, with this insight, Norwegian Hull Club provides clients insight into their own performance compared to similar companies. By providing such insight The Club contributes to increased safety at sea.

Through Cefor - The Nordic Association of Marine Insurers, which collects statistical input from all Nordic Marine Insurers - The Club is able to see trends from an even bigger portfolio. In its annual report from 2019, published 2nd April 2020, Cefor focuses on maintaining a reduced speed as one of the most efficient ways to lower vessel emissions. With a lower speed, a vessel's annual number of port calls, passages through high-risk areas and production of hazardous emissions is reduced, likely with a favourable impact on claims frequency. Such trends are taken account for in The Club's pricing models. The company's business intelligence department continuously analyses data to find further trends that can support greener shipping and result in fewer incidents.

#### Customer loyalty

Net Promoter Score®, or NPS®, measures customer experience and predicts business growth. This proven metric provides the core measurement for Voice of Customer programmes around the world. Norwegian Hull Club's score has increased from 50 in 2018 to 67 in 2020.

## Norwegian Hull Club as an attractive employer

To reach overall objectives, deploy strategies and implement changes, Norwegian Hull Club is dependent on dedicated, flexible and competent people. Through development of its culture, knowledge and employee behaviour, The Club will further convey its slogan "Expect more".

The overall policy for people in the organisation entails:

- Understanding that the company's success depends on the skills, motivation and attitude of its employees
- Offering good, stable working conditions, competitive terms and equal opportunities for personal growth and development
- Involving employees in the planning and efficient execution of activities
- Promoting cooperation, knowledge sharing and team spirit throughout the organisation

In 2019, four people left the company; employee turnover is considered low.

### Leadership

Leaders on all levels shall demonstrate accountability and act as good role models. For the company to deliver according to the set strategy and customers' expectations, it requires leaders that interact with others, demonstrating both strategic and operational leadership skills. The Club thrives on its leaders' ability to turn strategy into goal-oriented, practical actions in daily operations and people management. Leadership development will focus both on the individual leader in line with the company's values, and on creating a common leader culture that is characterised by the development of employees, mutual trust and openness, respect, clarity of goals, roles and responsibility, support, as well as open and transparent communication.

### Employeeeship

Employeeeship and collaboration complete the meaning of leadership, and are mutually dependent. All employees in the company are responsible for reaching common goals by bringing out the best in themselves and others. The Club relies on everyone demonstrating responsibility for collaboration, accomplishing results and being open minded to changes and development.

### Employee engagement and development

Norwegian Hull Club shall recruit and develop employees and leaders who accept ambitious goals, take responsibility and are proud of their workplace. The Club desires to develop an organisation in which diversity characterises its activities and generates new ideas and perspectives. Employees should be engaged, motivated and forward leaning. The Club embraces curiosity and competence development. It encourages employees to provide feedback on what works well and which areas could be improved in the company's regular work environment survey. The Club will focus on developing a culture characterised by transparency, openness and trust, and ensure its employees are also relevant in the future. openness and trust, and ensure its employees are also relevant in the future.

## Health, Safety and Environment (HSE)

The company structures its HSE work around several processes and activities, possessing different tools for both identifying and assessing any HSE challenges. It has also developed a system enabling employees to "whistle-blow" anonymously.

The Club's employees have full freedom of association. Employee representatives and safety representatives are engaged by the company on a regular basis. Employees are represented in the governing bodies, being voted for by their co-workers.

Systematic health, safety and environmental work is important for the company. Its goal is not only to prevent sickness absence and injuries but also to ensure that The Club is a health-promoting workplace. The company, therefore, works on preventing and following up sickness absence and on making necessary adaptations if employees have special needs.

Total sick-leave in 2019 was 2.7%

All employees are offered an annual medical check. The safety representative, together with management, performs an annual QHSE mapping of our office facilities. Through this process the management ensures that the company is complying with internal control regulations and the Working Environment Act in regard to the physical working environment.

Working environment issues, both physical and psychosocial, are also integrated in the employee satisfaction survey conducted among all employees to identify matters that require special attention. All managers review the survey with their staff in cooperation with the HR department. Each department defines an action plan that is followed up by their respective managers.

The goal for response rate for the employee satisfaction survey is 100%. The response rate in 2018 was 87% and the general satisfaction score was 4,7 (of 6.0). The Club will conduct its next employee satisfaction survey in autumn 2020.

General measures that are intended to promote health and a good working environment include:

- Arrangements to facilitate cycling and running to work in the form of bicycle parking and changing room facilities
- A company sports club that organises a wide range of activities
- A company social club that organises social activities throughout the year
- Company reimbursement of expenses related to sport activities

### Internal learning and development processes

The most essential part of development happens every day in the work place. It is intended that all employees have career development opportunities. This is an important leadership responsibility. Career development opportunities are also important in order to promote the attractiveness of our industry in general. Through the appraisal process every sixth month, development opportunities and goals are discussed and planned.

Through the establishment of the NHC Internal Academy, The Club focuses on structuring and aligning both leadership development and employee development. The Academy will be an arena for developing and strengthening a common culture across departments, and also an important forum for knowledge sharing. The NHC Internal Academy shall be an important part of The Club's onboarding as well as strategic competence development processes. It will be a mix of classroom sessions, e-learning and webinars.

**The effect of The Club's efforts**

- The development of a company programme where all new employees take part in an introduction day where the CEO and other key personnel talk about the company's business, strategy, competence-building, culture, brand, ethics and more practical information.
- In 2019 two in-house company leadership programmes were developed and deployed; two team-development programmes and two employee programmes
- In 2019 all managers, including CEO, have undergone HSE web-based training
- In 2019, all employees underwent GDPR training (E-learning)
- In 2019, all employees underwent Cyber security training (E-learning)

**New measures:**

- E-learning plays an increasingly important role in the NHC Internal Academy. In 2020 The company will develop a matrix and measure the fulfilment of all mandatory training as e-learning training
- We will measure the average days and/or hours of training per year, per employee
- In 2020, The Club will participate in the Bergen Næringsråd Trainee Vest Programme
- The company will update and revise all its job descriptions

**Diversity and gender equality**

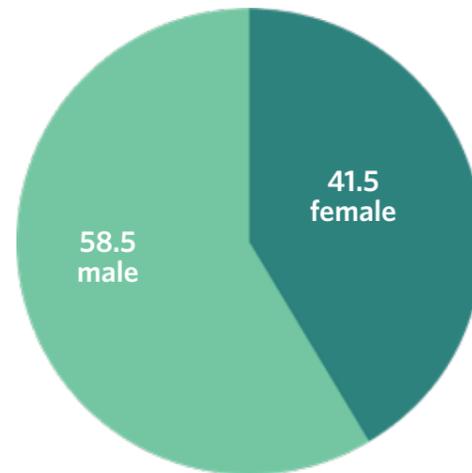
31.12.2019	Employees	No. of women	No. of men
Total	128	53	75

The Club has a strong focus on gender balance and increasing the percentage of women in governing bodies and management positions. There is zero tolerance for all forms of discrimination. Wage growth for women and men is monitored and followed up. Any unexplained differences that are identified will be followed up.

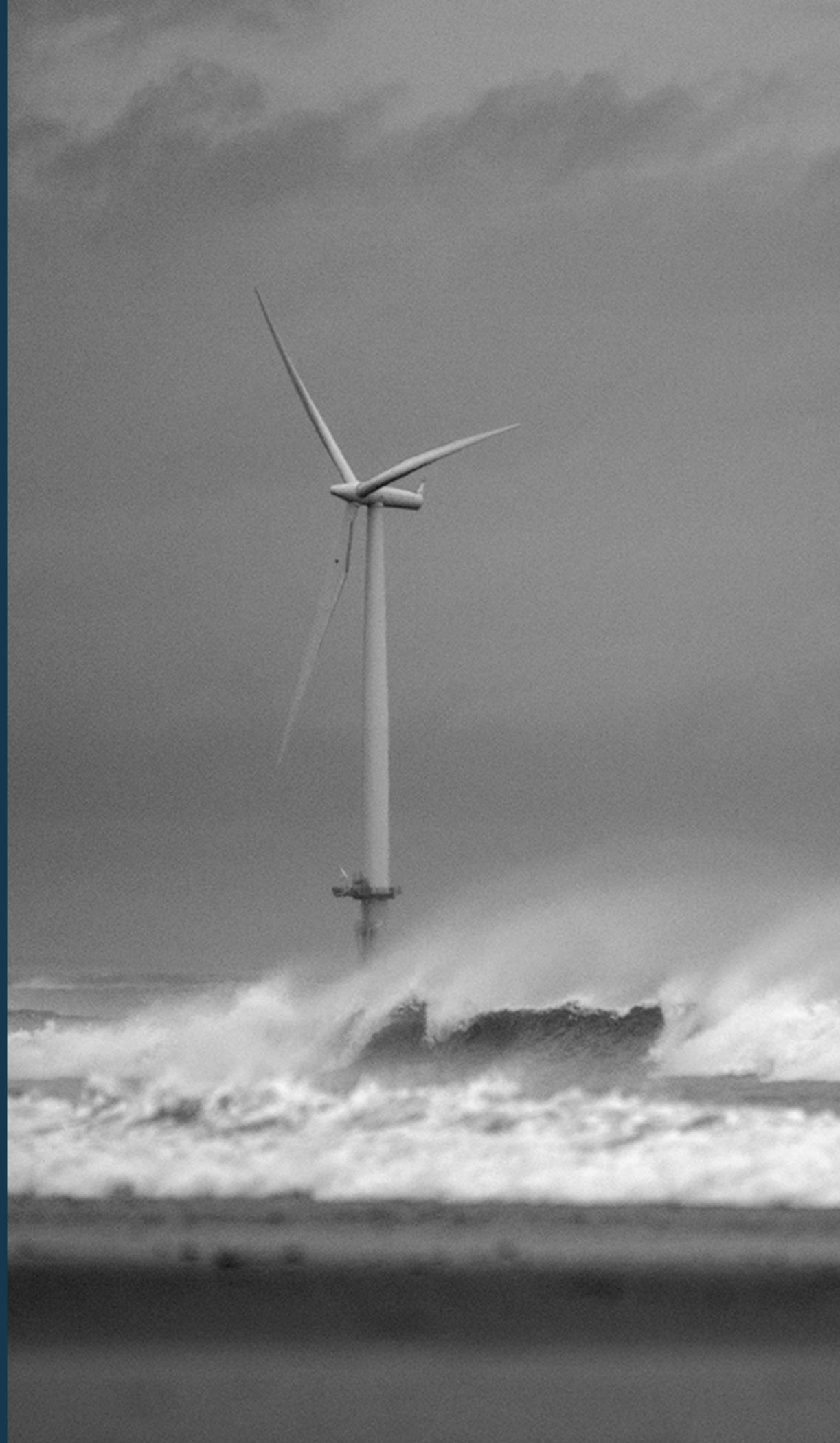
Twelve nations are represented in the workforce.

There is also a strong focus on providing opportunities for young people and to promote the Marine Insurance business.

- In 2019 there were four student internships in The Club's internship schemes
- In cooperation with secondary schools, The Club arranges for a day ("Ka vil du bli?" - "What to you want to be?") with presentations and activities to motivate them to learn more about our industry
- Twice a year we welcome internships within our Communication & Marketing department. These are students studying Practical Information at the University of Bergen
- For the second time in 2019, Norwegian Hull Club contributed to the Maritime Bergen Law Summer Programme hosted by the University of Bergen



Percentages of male and female employees as of 31.12.2019



31.12.2019	Total persons	No. of women	No. of men
Board of Directors	8	4	4
Top Management Group (TMG)	6	1	5
Managers (reporting to TMG)	15	4	11

Overview of men and women in management positions

Since spring 2019, Norwegian Hull Club has attended the SHE Index. The SHE Index is a catalyst for encouraging companies to focus on gender balance in leadership and workforce, equal compensation and work life balance. For The Club, by joining the index, an active step towards gender equality has been taken. There has also been the realisation that what can be measured can also be changed.

In spring 2019, The Club scored 44 out of 100 points; by 31.12 2019 it scored 47 out of 100.

Compensation shall reflect the employee's expertise, experience, responsibility, commitment, attitude and behaviour. The company understands that compensation is an important part of being an attractive employer. It aims for:

- Compensation packages to be perceived as fair and attractive, enabling the company to recruit, develop and retain the best qualified and most motivated employees;
- Men and women to receive equal pay for equal work, responsibility and expertise

New measures:

- Offering diversity and inclusion training (D & I) for all employees and managers
- Through strong commitment from the CEO, we continue to recruit and motivate - internally as well as externally - women to take on leading positions in our company
- We will continue to offer internships to students

### Climate footprint

Our business is a "knowledge business" that does not directly affect the environment as such; however, we can nonetheless evaluate and focus on The Club's climate footprint to help achieve a more sustainable society. This also means to use the company's market power in relation to suppliers and its investments.

The Club will reduce the strain on employees and the effect on the environment by reducing travel and further facilitating new communication channels to reduce travel needs.

The use of cabin-class type amongst our employees for the past two years has been assessed:

Cabin class	2019	2018
Economy class	88%	87%
Premium economy class	7%	10%
Business class	5%	3%

### New measures

- The company will continue to focus on reducing the percentage of employees travelling business class
- In 2020 there will be a mobility survey among employees with the aim of encouraging more environmentally friendly ways of commuting daily.

In late 2020 the Bergen office will relocate. This will be the first office building of its size constructed from 'massivtre' - or 'mass timber' - in Bergen and will also be BREEAM-Excellence certified. BREEAM is a world-leading sustainability assessment method for construction.

## Responsible investments

Norwegian Hull Club is - and aims to remain - a responsible investor. Active corporate governance, international conventions, partnerships and integration of sustainability topics into asset management form the basis of responsible investments.

The foundation of The Club's investment philosophy is the conviction that strong corporate governance, combined with a focus on environmental and social issues, is instrumental for long-term profitability. The best investments over time are those made in well-managed companies that, in addition to strong business performance, apply a systematic and integrated approach to sustainability in order to protect and grow future cashflows. Such companies will also be best able to manage risk associated with environmental, social and governance (ESG) issues. Sustainability and ESG are, therefore, integral parts of the investment manager screening and selection process.

Norwegian Hull Club uses third-party asset managers for security selection, through funds and discretionary mandates. Responsible investment is a key consideration when selecting external asset managers.

Norwegian Hull Club seeks external asset managers that:

- Are signatories to UN Principles for responsible investments (Norms-based screening)
- Are transparent about ESG issues
- Apply a systematic and integrated approach to sustainability factors in their investment processes (ESG integration)
- Report on ESG risks and opportunities
- Seek investments with positive ESG effects that do not require financial trade-off

Evaluation of an external manager's capabilities within ESG are assessed in the due diligence process before hiring. When hired, a manager's ESG strategies and processes are continually evaluated.

As of today, 17 of 19 of Norwegian Hull Club's external managers are signatories to UN Principles for responsible investments (UN PRI). All external managers within public markets are signatories. The two external managers that are not signatories are managers of directly owned real estate investments. As a result, 99.2% of assets in the investment portfolio are managed by managers that are signatories to UN PRI.

## Integrity and high ethical standards

Norwegian Hull Club conducts its business and operations with great integrity and to high ethical standards. These elements are embraced throughout operations. Integrity is also one of the core values of the company.



### Code of conduct

The purpose of the Code of Conduct is to set out the professional ethical standards that apply to all employees of Norwegian Hull Club. It helps to inspire and build confidence in the company, its people, products and services, both internally and externally among - for example - clients and supervisory authorities, as well as day-to-day business contacts.

### Risk Management framework

To achieve the company's strategic objectives while remaining a prudent risk taker (in order to safeguard the long-term interest of the Owners, Clients and Employees), Norwegian Hull Club has implemented a strong Risk Management Framework combined with delegations of authority.

### Compliance

Norwegian Hull Club constantly monitors the risk of impairment to the organisation's business model, reputation and financial condition, from a failure to meet laws, regulations, internal standards and policies. The company operates within a low overall risk range; the lowest risk appetite relates to compliance where the risk level is set to a minimum. The risk tolerance level regarding HSE issues is zero.

### EU GDPR

European Union General Data Protection Regulations (GDPR) set high standards in order to protect personal data and privacy. Becoming GDPR compliant starts with awareness, the understanding of data subject rights and choosing the proper grounds for lawful processing for all data processing activities. The Club's data protection policies are compliant with GDPR regulation so that it can ensure proper handling to secure and protect personal data and privacy.

### Sanctions

Sanction laws and guidance provisions are complex and in constant flux, changing in line with national and international shifts in the political landscape. Sanctions are imposed by numerous countries and bodies and can have an impact on operations and conduct globally. Norwegian Hull Club has established a Sanctions Committee with members from Legal, Compliance, Underwriting and Claims to help employees navigate the ever-changing sanction landscape, as well as be compliant with internal policies and guidelines.

### Anti-money Laundering

The Club has well-established policies and procedures in place to prevent money laundering and terrorism financing. These policies and procedures include high standards regarding the identification, verification, monitoring and screening of customers and counterparties against a wide range of sanction lists. By combatting money laundering and terrorist financing, Norwegian Hull Club contributes to global security, the integrity of the financial system and to sustainable growth.

### Anti-corruption

Norwegian Hull Club has a zero-tolerance approach to fraud, facility payments and corruption. The Club requires its own staff to act and comply at all times with this zero-tolerance approach by conforming fully to all procedures and policies adopted to prevent corruption and fraud. Information regarding anti-corruption guidelines is shared with all employees and governing-body members. There have been no reports of corruption at Norwegian Hull Club.

### Antitrust

Norwegian Hull Club operates in multiple countries and markets and is therefore subject to the general principles, adopted in many competition laws, of free and fair trade. The Club has adopted a comprehensive Competition Law compliance manual that provides guidance to all employees with regard to the main principles of competition laws, while promoting compliance.

## Social responsibility and The Club's relation to UN Sustainable Development Goals

Sharing is a key value of Norwegian Hull Club, which is why continued cooperation with other industry players, organisations, educational institutions and charities – with a main focus on building and sharing new knowledge – is particularly rewarding. UN's Sustainable Development Goals (SDG) are developed to encourage common global efforts and cooperation for a better, more profitable future for all people whilst protecting the planet. Norwegian Hull Club shares this ambition and has identified where it can play to its strengths in order to contribute to a more sustainable future for everyone. While the company's focus areas for sustainability relate to several of the SDGs, The Club has chosen to have special focus on four of the goals.

### Delivering the UN Sustainable Development Goals (SDG)

By reaching more people through Marine Benefits' health insurance offerings and its Re:refresh and Re:start programmes, The Club aims to contribute to reach **SDG 3 - Ensure healthy lives and promote well-being for all at all ages.**

**SDG 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all** is particularly dear to Norwegian Hull Club. The company's strong belief in education, knowledge building and sharing is vital for its business model; it is also included in The Club's core values. This approach is also the cornerstone of the company's social responsibility programme, delivering greater opportunities through increased knowledge.

Closest linked to The Club's core business is **SDG 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development.** Norwegian Hull Club's mission is to secure lives, health, environment and property and the company strongly believes that it can continue to contribute to this goal through its sustainable approach to emergency response and pro-active training.

Representing the core of what is needed to reach the goals, **SDG 17 - Strengthen the means of implementation and revitalise the global partnership for sustainable development,** is a priority goal for Norwegian Hull Club. Through common target areas and efforts, The Club is more likely to fulfil the 2030 ambition.

### Social responsibility through partnerships and sponsorships

Norwegian Hull Club has a long tradition of supporting humanitarian and maritime cultural charities and initiatives. In 2019, The Club revised its partnerships and sponsorships, continuing to support some while also adding new initiatives that support the company's belief in building and sharing knowledge for a more sustainable future. Norwegian Hull Club donates some 1 MNOK to charities and maritime innovation projects annually. These donations mainly focus on a smaller number of larger-scale projects. The Club is also in the process of confirming two new partners in 2020.

### Vocational training in Garowe in Puntland, Somalia

Through Norwegian Church Aid (Kirkens Nødhjelp), Norwegian Hull Club contributes to a project that carries out preventive efforts on land to fight piracy in Somalia. The project creates an alternative career to piracy through information vocational training. The project also follows up on former pirates to help prevent a relapse into piracy.

### Micro investing in Tanzania

Norwegian Hull Club also supports a second project run by the Norwegian Church Aid. Their micro investing project in Tanzania helps peasant farmers become profitable to help prevent poverty, hunger and malnutrition. Through the project, such farmers can invest in reasonable start kits for sustainable farming that are also better for the agricultural land. The project gives access to support and advice from agronomists, so that these farmers attain new knowledge while contributing to reducing hunger.

### Thade School Project in Thade, Nepal

The Thade School Project offers all children in the district equal opportunities of primary education; it is run by two sister organisations based in Sweden and Nepal. Due to discrimination and social exclusion in Nepal, it has been difficult for children in poverty to acquire an education. In addition, the closest primary school outside of Thade is located more than two hours walk away, making it difficult for Thade children to attend school. In addition to tuition and school supplies, the project also provides daily nutritious meals to all students. This is a strong incentive for families suffering from poverty to enrol their children at the school.



#### **The Church City Mission in Bergen, Norway**

The Church City Mission is an inclusive, non-profit organisation, which works with people who face challenges in life for various reasons in towns and cities across Norway. The vision of the Bergen mission is that people in the city shall experience respect, justice and care. Norwegian Hull Club has chosen to directly support its initiatives that help people that have fallen out of working life to get job training and experience.

#### **Gi Gaven Videre**

Through a new software called “Gi gaven videre” (“Forward your gift”), Norwegian Hull Club started a new tradition for Christmas 2019. Rather than sending out Christmas gifts, all employees received an electronic gift card they could forward – choosing from a selection of good causes that they could give their donation to. “Gi gaven videre” is a new, non-profit initiative and the receiver of the gift card can choose amongst more than 90 local, national or global non-profit organisations.

#### **Maritime Cyber Resilience Project (MarCy)**

The primary objective of this research project is to develop validated means for improving cyber resilience of maritime digital control systems and maritime operations. The project is run by the Norwegian University of Science and Technology (NTNU) Department of Information Security and Communication Technology, partnering with Norwegian Hull Club, Norwegian Defence University College, DNV GL AS and Kongsberg Defence and Aerospace AS.

#### **Statsraad Lehmkuhl**

In September 2021, the sailing ship Statsraad Lehmkuhl will set sail on its first around-the-world voyage. The 18-month voyage - named “One Ocean” - is a national cooperation between a range of companies and educational institutions, and an official part of the UN’s Decade of Ocean Science for Sustainable Development. On the voyage, the ship will visit 35 ports around the globe with a focus on ocean sustainability and knowledge sharing. Norwegian Hull Club has had a long partnership with Statsraad Lehmkuhl and also has a seat on the main committee for this voyage.

#### **YoungShip Bergen**

YoungShip Bergen is a competence and network-building non-profit organisation for young professional maritime employees in the Bergen area of Norway. The organisation has more than 250 members from over 70 different companies within the maritime industry.

#### **Cefor - The Nordic Association of Marine Insurers**

Norwegian Hull Club is member of Cefor – The Nordic Association of Marine Insurers. Its purpose is to represent members’ common interests in the field of marine insurance, contributing to a sustainable ocean industry. The Club engages in Cefor’s Board, various forums and working groups, as well as contributing to its educational programme through the provision of lecturers and lesson material. Together, the Nordic Marine Insurers support Cefor’s efforts to influence industry framework conditions and share a vision for a sustainable insurance market.

In 2019, Cefor members commonly entered into a long-term partnership to support the Scandinavian Institute of Maritime Law at the University of Oslo. Together, the Cefor members secured an associate professoriate position for ten years. The cooperation with the institute is important in order to uphold Maritime Law knowledge development in the Nordic countries. The institute contributes to revision of marine insurance conditions and special considerations for the industry. The administration at the institute has started the recruiting process for candidate for the position.

#### **Changes in reporting**

This is the first sustainability report that Norwegian Hull Club has produced, hence there are no changes in reporting from previous years. For the reporting year 2019, the Sustainability Report is included in the 2019 Annual Report.

#### **Reporting cycle**

Annual

#### **Contact person for questions regarding this report**

Hildegunn Nilssen, Head of Communication & Marketing

#### **GRI Index**

The GRI Index can be found overleaf

#### **External assurance**

The report has been reviewed by Norwegian Hull Club’s Board of Directors but no independent third parties.

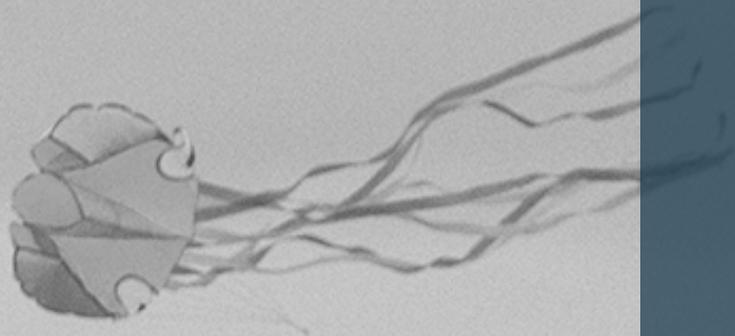
GRI Index

GRI STANDARD	DISCLOSURE	PAGE	COMMENTS
GRI 102 GENERAL DISCLOSURES (2016) Organisational Profile			
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Strategy			
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102-54	Claims of reporting in accordance with the GRI standards	p. 50-51	
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GRI 201 ECONOMIC PERFORMANCE			
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201-2	Financial implications and other risks and opportunities due to climate change	p. 71	SDG 14
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203-2	Significant indirect economic impacts	p. 64	SDG 3
GRI 205 ANTI-CORRUPTION			
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GRI 206 ANTI-COMPETITIVE BEHAVIOUR (2016)			
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GRI 302 ENERGY			
302-1	Energy consumption within the organisation	p. 70-71	
302-2	Energy consumption outside of the organisation	p. 62-65	SDG 4 SDG 14
GRI 304 BIODIVERSITY			
304-2	Significant impacts of activities, products and services on biodiversity	p. 62-65	SDG 4 SDG 14

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