

# 3RD QUARTER REPORT

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## 2020



NORWEGIAN HULL CLUB

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# SUMMARY INTERIM REPORT 3Q 2020

The result for Norwegian Hull Club for the first nine months of 2020 is USD 48.4 million. Technical result of insurance operations is USD 37.1 million while the result from investments and other financial items is USD 11.3 million.

Profitability on insurance operations is far above expectations due to positive claims development and higher premium income. The combined ratio is 75 % so far in 2020. There is no clear, negative net impact of the Covid-19 pandemic.

Return on the investment portfolio is 2.1 %. The USD return corresponds to USD 7.5 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items. Capital adequacy has improved since the end of 2019.

Equity is USD 336.6 million at the end of September 2020.

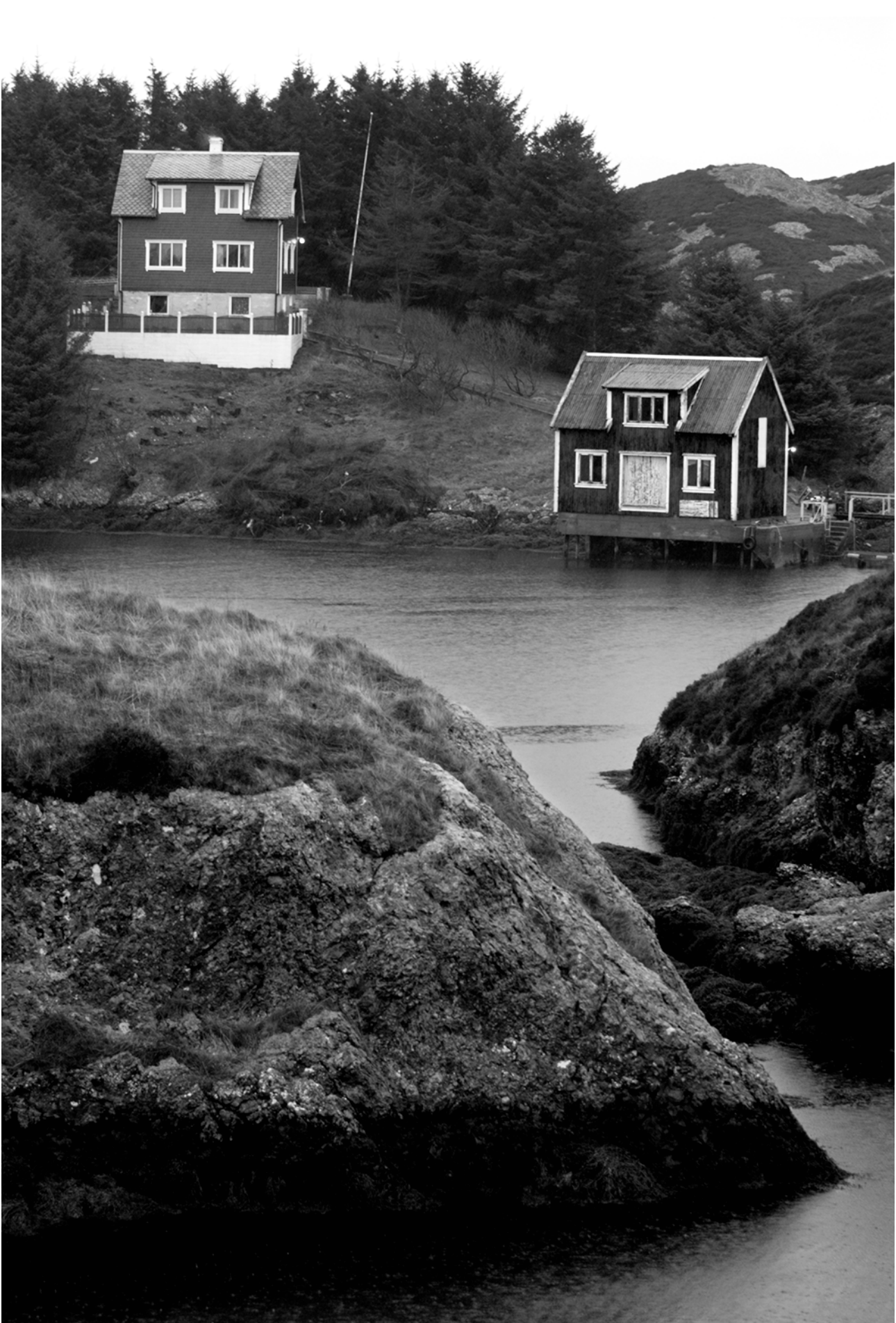




# KEY FIGURES

All figures in USD 000's					
	01.01.-31.09.2020	01.01.-30.09.2019	3Q 2020	3Q 2019	2019
Gross earned premiums	186 873	144 623	61 776	58 385	203 153
Gross claims	-120 337	-138 728	-52 476	-51 046	- 199 150
<b>Gross result</b>	<b>66 535</b>	<b>5 895</b>	<b>9 301</b>	<b>7 339</b>	<b>4 003</b>
Premiums for own account	148 154	111 864	48 625	44 281	156 192
Claims for own account	-99 555	-128 735	-42 605	-42 750	-180 924
<b>Insurance result for own account</b>	<b>48 599</b>	<b>-16 870</b>	<b>6 020</b>	<b>1 532</b>	<b>-24 732</b>
Net operating expenses	-11 511	-11 735	-4 276	-4 118	-16 131
<b>Technical result</b>	<b>37 088</b>	<b>-28 606</b>	<b>1 744</b>	<b>-2 587</b>	<b>-40 863</b>
Net financial items	11 275	23 050	9 487	1 301	33 364
<b>Operating result</b>	<b>48 363</b>	<b>-5 555</b>	<b>11 231</b>	<b>-1 285</b>	<b>-7 499</b>
Loss ratio for own account	67 %	115 %	87.6 %	96.5 %	115.8 %
Combined ratio	75 %	126 %	96.4 %	105.8 %	126.2 %

	30.09.2020	31.12.2019
Investment portfolio	497 950	448 092
Bank deposits	31 978	19 330
Receivables	258 540	253 393
Other assets	24 105	26 141
<b>TOTAL ASSETS</b>	<b>812 573</b>	<b>746 955</b>
Equity	336 565	301 263
Claims provision	223 807	229 097
Other provisions	130 268	115 100
Payables and other liabilities	121 933	101 495
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>812 573</b>	<b>746 955</b>





# STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	30.09.2020	30.09.2019
Gross earned premiums	186 872 580	144 623 100
Reinsurance premiums	-38 718 637	-32 758 827
<b>A Premiums for own account</b>	<b>148 153 943</b>	<b>111 864 273</b>
<b>B Other insurance related income</b>	<b>5 821 119</b>	<b>4 796 480</b>
Gross accrued claims	120 337 457	138 728 490
Reinsurers share of gross claims	-20 782 577	-9 993 791
<b>C Claims for own account</b>	<b>99 554 881</b>	<b>128 734 699</b>
Marketing expenses	7 998 066	7 961 544
<b>D Total insurance related expenses for own account</b>	<b>7 998 066</b>	<b>7 961 544</b>
<b>E Other insurance related expenses</b>	<b>9 334 402</b>	<b>8 570 189</b>
<b>F Operating result technical accounts (A+B-C-D-E)</b>	<b>37 087 714</b>	<b>-28 605 678</b>
Financial income	8 723 524	8 933 835
Realised gains and losses	8 881 756	5 149 684
Adjustment investment portfolio	-5 025 628	10 450 588
<b>G Total financial income</b>	<b>12 579 651</b>	<b>24 534 108</b>
<b>H Administration expenses financial assets</b>	<b>1 304 393</b>	<b>1 483 872</b>
<b>I Result from ordinary operations (F+G-H)</b>	<b>48 362 972</b>	<b>-5 555 442</b>
<b>J Tax expenses (income)</b>	<b>13 060 592</b>	<b>0</b>
<b>K Result before other result components (I-J)</b>	<b>35 302 380</b>	<b>-5 555 442</b>



# BALANCE SHEET

## Assets

All figures in USD		
	30.09.2020	31.12.2019
Shares in subsidiaries	3 425 774	3 735 451
Other shares	7 051 851	7 051 851
Mortgage loans	6 605 949	7 868 434
Stocks and shares	92 249 331	102 565 541
Bonds and foreign exchange contracts	399 825 117	341 645 530
Bank deposits investment portfolio	5 875 389	3 880 582
<b>Total financial assets</b>	<b>515 033 411</b>	<b>466 747 388</b>
Reinsured proportion of gross premium provisions	27 135 938	19 990 910
Reinsured proportion of gross claims provision	42 738 904	37 455 901
<b>Total reinsured proportion of insurance provisions</b>	<b>69 874 843</b>	<b>57 446 811</b>
Insurance related receivables	128 181 721	121 889 361
Reinsurance receivables	2 674 173	16 459 646
Disbursements	43 866 308	46 024 748
Other receivables	13 942 972	11 572 638
<b>Total receivables</b>	<b>188 665 174</b>	<b>195 946 393</b>
Properties	2 777 085	2 777 085
Equipment and fixtures	3 075 685	3 497 026
Cash and bank deposits	31 978 451	19 329 596
<b>Total other assets</b>	<b>37 831 221</b>	<b>25 603 707</b>
Accrued interest	1 168 470	1 211 195
<b>TOTAL ASSETS</b>	<b>812 573 119</b>	<b>746 955 495</b>

## Equity and Liabilities

All figures in USD		
	30.09.2020	31.12.2019
Equity	8 042 072	8 042 072
Other equity	328 522 932	293 220 551
<b>Total equity</b>	<b>336 565 004</b>	<b>301 262 623</b>
Unearned gross premium provision	130 268 394	115 100 329
Gross claims provision	223 806 706	229 097 411
<b>Total gross insurance provisions</b>	<b>354 075 100</b>	<b>344 197 740</b>
Pension liability	4 564 531	4 065 191
Withheld payroll tax, social security etc.	2 206 455	2 936 446
Deferred tax	58 990 365	68 366 301
Taxes payable	24 812 916	3 600 456
<b>Total tax and pension payable</b>	<b>90 574 267</b>	<b>78 968 394</b>
Payables direct insurance accounts	598 930	692 419
Payables reinsurance	14 662 802	11 220 354
Payables other accounts	16 097 015	10 613 965
<b>Total payables</b>	<b>31 358 748</b>	<b>22 526 738</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>812 573 119</b>	<b>746 955 495</b>

# STATEMENT OF CASH FLOW

All figures in USD

	30.09.2020	2019
Profit of the year before tax	48 362 972	-7 499 277
Change in net technical reserves	-2 550 671	61 180 803
Unrealised value change other shares	0	-1 793 030
Net profit on sale of fixed shares	0	0
Change in disbursements	2 158 440	4 302 015
Net profit on sale of fixed assets	0	0
Change in net pension funds	499 340	24 507
Change in net receivables	13 267 523	-25 438 905
Depreciation	482 468	699 454
Taxes paid	-949 380	-994 241
<b>Net cash flow from operations before financial assets</b>	<b>61 270 692</b>	<b>30 481 325</b>
Change in net bonds	-58 179 587	-29 793 658
Change in net stocks and shares	10 316 210	-6 111 242
Change in net financial derivatives	0	450 602
	0	0
<b>Net cash flow from financial assets</b>	<b>-47 863 377</b>	<b>-35 454 299</b>
<b>A Net cash flow from operational activities</b>	<b>13 407 315</b>	<b>-4 972 974</b>
<b>Cash generated/used by investing activities</b>		
Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies	309 677	-421 766
Net receipts/payments related to sale/purchase of fixed assets	-39 062	-245 093
Change in mortgage loans	1 262 485	1 698 510
<b>B Net cash inflow/outflow from investment activities</b>	<b>1 533 100</b>	<b>1 031 651</b>
<b>C Net financing activities - dividend paid to members</b>	<b>0</b>	<b>0</b>
<b>D Effect of changes in exchange rates on cash and cash equivalents</b>	<b>-296 752</b>	<b>-51 990</b>
<b>A+B+C+D Net change in cash and cash equivalents</b>	<b>14 643 663</b>	<b>-3 993 313</b>
<b>Cash and cash equivalents 01.01</b>	<b>23 210 177</b>	<b>27 203 490</b>
<b>Cash and cash equivalents</b>	<b>37 853 841</b>	<b>23 210 177</b>

# DEVELOPMENT IN EQUITY

All figures in USD

	Owners' funds	Other equity	Total equity
<b>Equity at 31.12.2019</b>	<b>8 042 072</b>	<b>293 220 551</b>	<b>301 262 623</b>
Allocation		35 302 380	35 302 380
<b>Equity</b>	<b>8 042 072</b>	<b>328 522 932</b>	<b>336 565 004</b>

# EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

## Note 1 - Accounting policies

Norwegian Hull Club's interim financial report is presented in accordance with IAS 34 interim financial reporting and in compliance with the Norwegian Accounting Act, Finance Ministry's prescribed regulations from December 16, 1998 on Financial Statements for Insurance companies and regulations from January 21, 2008 on simplified IFRS.

The application of IAS 34 means that the report is limited relative to the presentation of a full annual report.

The main accounting policies are unchanged from the annual report 2019 and the annual report contains the full description of the accounting policies.

## Note 2- Claims expenses

	30.09.2020	31.12.2019
Gross claims	120 337 457	138 728 490
Claims for own account	99 554 881	128 734 699
<i>Run off gain (+) / loss (-) gross</i>	<i>16 509 517</i>	<i>6 576 856</i>
<i>Run off gain (+) / loss (-) for own account</i>	<i>1 802 107</i>	<i>1 184 364</i>

## Note 3 - Market value adjustments

	31.12.2019		30.09.2020		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	341 645 530	341 645 530	399 825 117	399 825 117	58 179 587	58 179 587
Stocks and shares	102 565 541	102 565 541	92 249 331	92 249 331	(10 316 210)	(10 316 210)
Derivatives	0	0	0	0	0	0
<b>In total</b>	<b>444 211 071</b>	<b>444 211 071</b>	<b>492 074 448</b>	<b>492 074 448</b>	<b>47 863 377</b>	<b>47 863 377</b>

## Note 4 - Off balance items

	30.09.2020	31.12.2019
Guarantee liability regarding claims		
Gross guarantees issued	119 235 723	131 390 207
Counter-guarantees from co-insurers	79 016 455	104 385 055
Guarantees for own account	40 219 268	27 005 152

*All guarantees relate to clients' liabilities in connection with collisions, groundings etc. associated with The Club's activities.*

## Note 5 - COVID-19

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. 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.

Transportation and other economic activity have reduced following COVID-19. Consequent measures, such as the lay-up of vessels, reduce underwriting exposure. So far in 2020, there is no clear negative net effect of the pandemic on The Club's insurance portfolio. Year to date, claims expenses are below expectations.

Financial markets fell significantly in the first quarter due to uncertainty regarding the impact of the Covid-19 pandemic. Decisive and strong fiscal and monetary measures from governments and central banks have calmed markets; losses in the first quarter have, in general, recovered in the second and third quarters.

## Note 6 - Material events subsequent to the end of the interim period

To the best of our knowledge, there have been no material events subsequent to the end of the interim period.





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