



# 1ST QUARTER REPORT

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## 2020



NORWEGIAN HULL CLUB

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# SUMMARY INTERIM REPORT 1Q 2020

The result for Norwegian Hull Club for the first three months of 2020 is minus USD 1.6 million. Technical result of insurance operations is USD 19.1 million while the result from investments and other financial items is minus USD 20.7 million.

Profitability on insurance operations is above expectations due to positive claims development. The combined ratio is 63 % so far in 2020. There is no clear, negative net impact from the Covid-19 pandemic.

Return on the investment portfolio is minus 3.8 % in USD. The USD return corresponds to minus USD 17.1 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items. Financial markets fell strongly and sharply as a result of the Covid-19 pandemic. Risk assets with high capital requirements fell the most. As a result of the positive result from underwriting, capital adequacy has improved since the end of 2019.

Equity is USD 299.7 million at the end of March 2020.





# KEY FIGURES

All figures in USD 000's			
	01.01.-31.03.2020	01.01.-31.03.2019	2019
Gross earned premiums	63 640	38 391	203 153
Gross claims	-29 779	-52 386	- 199 150
<b>Gross result</b>	<b>33 861</b>	<b>-13 994</b>	<b>4 003</b>
Premiums for own account	51 170	29 798	156 192
Claims for own account	-27 958	-49 832	-180 924
<b>Insurance result for own account</b>	<b>23 213</b>	<b>-20 034</b>	<b>-24 732</b>
Net operating expenses	-4 098	-4 005	-16 131
<b>Technical result</b>	<b>19 115</b>	<b>-24 039</b>	<b>-40 863</b>
Net financial items	-20 723	12 956	33 364
<b>Operating result</b>	<b>-1 608</b>	<b>-11 083</b>	<b>-7 499</b>
Loss ratio for own account	55 %	167 %	115.8 %
Combined ratio	63 %	181 %	126.2 %
	31.03.2020	31.12.2019	
Investment portfolio	434 369	448 092	
Bank deposits	30 376	19 330	
Receivables	254 197	253 393	
Other assets	24 569	26 141	
<b>TOTAL ASSETS</b>	<b>743 511</b>	<b>746 955</b>	
Equity	299 654	301 263	
Claims provision	212 615	229 097	
Other provisions	126 335	115 100	
Payables and other liabilities	104 907	101 495	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>743 511</b>	<b>746 955</b>	



# STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	31.03.2020	31.03.2019
Gross earned premiums	63 640 334	38 391 438
Reinsurance premiums	-12 469 986	-8 593 786
<b>A Premiums for own account</b>	<b>51 170 348</b>	<b>29 797 652</b>
<b>B Other insurance related income</b>	<b>2 026 871</b>	<b>1 336 611</b>
Gross accrued claims	29 779 123	52 385 544
Reinsurers share of gross claims	-1 821 319	-2 553 660
<b>C Claims for own account</b>	<b>27 957 804</b>	<b>49 831 883</b>
Marketing expenses	2 970 989	2 746 501
<b>D Total insurance related expenses for own account</b>	<b>2 970 989</b>	<b>2 746 501</b>
<b>E Other insurance related expenses</b>	<b>3 153 805</b>	<b>2 595 354</b>
<b>F Operating result technical accounts (A+B-C-D-E)</b>	<b>19 114 622</b>	<b>-24 039 476</b>
Financial income	3 213 571	3 403 175
Realised gains and losses	6 001 716	185 673
Adjustment investment portfolio	-29 591 242	9 778 138
<b>G Total financial income</b>	<b>-20 375 955</b>	<b>13 366 986</b>
<b>H Administration expenses financial assets</b>	<b>347 043</b>	<b>410 878</b>
<b>I Result from ordinary operations (F+G-H)</b>	<b>-1 608 376</b>	<b>-11 083 368</b>
<b>J Tax expenses (income)</b>	<b>0</b>	<b>0</b>
<b>K Result before other result components (I-J)</b>	<b>-1 608 376</b>	<b>-11 083 368</b>



# BALANCE SHEET

## Assets

All figures in USD		
	31.03.2020	31.12.2019
Shares in subsidiaries	3 735 451	3 735 451
Other shares	7 051 851	7 051 851
Mortgage loans	6 477 481	7 868 434
Stocks and shares	84 442 655	102 565 541
Bonds and foreign exchange contracts	342 745 621	341 645 530
Financial derivatives	2 364 534	-
Bank deposits investment portfolio	4 816 253	3 880 582
<b>Total financial assets</b>	<b>451 633 846</b>	<b>466 747 388</b>
Reinsured proportion of gross premium provisions	28 032 755	19 990 910
Reinsured proportion of gross claims provision	26 743 280	37 455 901
<b>Total reinsured proportion of insurance provisions</b>	<b>54 776 035</b>	<b>57 446 811</b>
Insurance related receivables	138 009 742	121 889 361
Reinsurance receivables	13 518 243	16 459 646
Disbursements	35 273 885	46 024 748
Other receivables	12 618 658	11 572 638
<b>Total receivables</b>	<b>199 420 528</b>	<b>195 946 393</b>
Properties	2 777 085	2 777 085
Equipment and fixtures	3 337 719	3 497 026
Cash and bank deposits	30 376 174	19 329 596
<b>Total other assets</b>	<b>36 490 978</b>	<b>25 603 707</b>
Accrued interest	1 189 660	1 211 195
<b>TOTAL ASSETS</b>	<b>743 511 047</b>	<b>746 955 495</b>

## Equity and Liabilities

All figures in USD		
	31.03.2020	31.12.2019
Equity	8 042 072	8 042 072
Other equity	291 612 176	293 220 551
<b>Total equity</b>	<b>299 654 248</b>	<b>301 262 623</b>
Unearned gross premium provision	126 335 019	115 100 329
Gross claims provision	212 614 868	229 097 411
<b>Total gross insurance provisions</b>	<b>338 949 887</b>	<b>344 197 740</b>
Pension liability	4 065 191	4 065 191
Withheld payroll tax, social security etc.	1 967 235	2 936 446
Deferred tax	68 366 301	68 366 301
Taxes payable	2 144 692	3 600 456
<b>Total tax etc. payable</b>	<b>76 543 419</b>	<b>78 968 394</b>
Payables direct insurance accounts	626 989	692 419
Payables reinsurance	15 175 368	11 220 354
Payables other accounts	12 561 136	10 613 965
<b>Total payables</b>	<b>28 363 493</b>	<b>22 526 738</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>743 511 047</b>	<b>746 955 495</b>



# STATEMENT OF CASH FLOW

All figures in USD

	31.03.2020	31.12.2019
Profit of the year before tax	-1 608 376	-7 499 277
Change in net technical reserves	-2 577 076	61 180 803
Unrealised value change other shares	0	-1 793 030
Net profit on sale of fixed shares	0	0
Change in disbursements	10 750 863	4 302 015
Net profit on sale of fixed assets	0	0
Change in net pension funds	0	24 507
Change in net receivables	-9 335 918	-25 438 905
Depreciation	163 717	699 454
Taxes paid	-949 380	-994 241
<b>Net cash flow from operations before financial assets</b>	<b>-3 556 170</b>	<b>30 481 325</b>
Change in net bonds	-1 100 091	-29 793 658
Change in net stocks and shares	18 122 885	-6 111 242
Change in net financial derivatives	-2 364 534	450 602
	0	0
<b>Net cash flow from financial assets</b>	<b>14 658 261</b>	<b>-35 454 299</b>
<b>A Net cash flow from operational activities</b>	<b>11 102 091</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	0	-421 766
Net receipts/payments related to sale/purchase of fixed assets	0	-245 093
Change in mortgage loans	1 390 953	1 698 510
<b>B Net cash inflow/outflow from investment activities</b>	<b>1 390 953</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>-510 794</b>	<b>-51 990</b>
<b>A+B+C+D Net change in cash and cash equivalents</b>	<b>11 982 250</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>35 192 427</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		-1 608 376	-1 608 376
<b>Equity</b>	<b>8 042 072</b>	<b>291 612 176</b>	<b>299 654 248</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

	31.03.2020	31.12.2019
Gross claims	29 779 123	52 385 544
Claims for own account	27 957 804	49 831 883
<i>Run off gain (+) / loss (-) gross</i>	-3 047 009	6 576 856
<i>Run off gain (+) / loss (-) for own account</i>	-2 746 172	1 184 364

## Note 3 - Market value adjustments

	31.12.2019		31.03.2020		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	341 645 530	341 645 530	342 745 621	342 745 621	1 100 091	1 100 091
Stocks and shares	102 565 541	102 565 541	84 442 655	84 442 655	(18 122 885)	(18 122 885)
Derivatives	0	0	2 364 534	2 364 534	2 364 534	2 364 534
<b>In total</b>	<b>444 211 071</b>	<b>444 211 071</b>	<b>429 552 810</b>	<b>429 552 810</b>	<b>(14 658 261)</b>	<b>(14 658 261)</b>

## Note 4 - Off balance items

	31.03.2020	31.12.2019
Guarantee liability regarding claims		
Gross guarantees issued	111 905 538	103 390 207
Counter-guarantees from co-insurers	72 394 963	104 385 055
Guarantees for own account	39 510 576	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. Year to date, claims expenses are far below expectations, and there has been no direct impact of the pandemic on the insurance portfolio so far. However a general slowdown in shipping has likely contributed to a temporary improvement of claims expenses for hull-related insurances. Financial markets have been negatively impacted by the COVID-19 pandemic. Norwegian Hull Club's investment portfolio was also impacted and was down 3.8 % in the first quarter.

Equities and other asset classes with a high capital requirement fell most. As interest rates fell, low-risk fixed income had positive returns. For Norwegian Hull Club, the net effect on capital adequacy in the first quarter is positive, i.e. the capital adequacy has improved from 31.12.2019.

The investment portfolio was defensively positioned going into 2020. Return in the first quarter was, therefore, better than applicable benchmark. Financial markets have, in general, been positive in the second quarter.

## 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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