



# 3RD QUARTER REPORT

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## 2019



NORWEGIAN HULL CLUB



# TABLE OF CONTENTS

<b>3</b>	<i>Summary Interim Report 3Q 2019</i>	<b>8</b>	<i>Balance Sheet</i>
<b>4</b>	<i>Key Figures</i>	<b>10</b>	<i>Statement of Cash Flow</i>
<b>6</b>	<i>Statement of Comprehensive Income</i>	<b>11</b>	<i>Development in Equity</i>
		<b>12</b>	<i>Explanatory Notes to the Interim Financial Report</i>

# SUMMARY INTERIM REPORT 3Q 2019

The result for Norwegian Hull Club for the first nine months of 2019 is minus USD 5.6 million. Technical result of insurance operations is minus USD 28.6 million, while the result from investments and other financial items is USD 23.1 million.

Profitability on insurance operations is below expectations due to adverse claims development. The combined ratio so far in 2019 is 126 %.

Return on the investment portfolio is 5.4 % in USD. The USD return corresponds to USD 22.6 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items.

Equity is USD 298.1 million at the end of September 2019.

Commenting on the results, Norwegian Hull Club CEO Hans Christian Seim said: "In the third quarter, insurance results have continued to be below expectations. As in the first two quarters of the year, the major share of claims are for own retention. However, we are starting to see the effect of contraction and reduced capacity in the marine insurance industry. Gross premiums have increased, both from higher rates on existing business and from new business."





# KEY FIGURES

All figures in USD 000's

	01.01.-30.09.2019	01.01.-30.09.2018	3Q 2019	3Q 2018	2018
Gross earned premiums	144 623	126 564	58 385	41 736	166 360
Gross claims	-138 728	-95 824	- 51 046	-51 023	- 149 768
<b>Gross result</b>	<b>5 895</b>	<b>30 741</b>	<b>7 339</b>	<b>-9 288</b>	<b>16 593</b>
Premiums for own account	111 864	105 667	44 281	36 223	135 474
Claims for own account	-128 735	-80 518	-42 750	-38 953	-116 092
<b>Insurance result for own account</b>	<b>-16 870</b>	<b>25 149</b>	<b>1 532</b>	<b>-2 731</b>	<b>19 383</b>
Net operating expenses	-11 735	-11 959	-4 118	-4 105	-16 882
<b>Technical result</b>	<b>-28 606</b>	<b>13 190</b>	<b>-2 587</b>	<b>-6 836</b>	<b>2 501</b>
Net financial items	23 050	6 693	1 301	5 631	1 628
<b>Operating result</b>	<b>-5 555</b>	<b>19 884</b>	<b>-1 285</b>	<b>-1 205</b>	<b>4 128</b>
Loss ratio for own account	115 %	76 %	96.5 %	107.5 %	85.7 %
Combined ratio	126 %	88 %	105.8 %	118.9 %	98.2 %

	30.09.2019	31.12.2018
Investment portfolio	440 653	410 220
Bank deposits	33 680	25 741
Receivables	226 921	258 142
Other assets	24 620	26 288
<b>TOTAL ASSETS</b>	<b>725 874</b>	<b>720 390</b>
Equity	298 136	303 691
Claims provision	220 205	227 475
Other provisions	99 858	83 165
Payables and other liabilities	107 675	106 059
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>725 874</b>	<b>720 390</b>





# STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	30.09.2019	30.09.2018
Gross earned premiums	144 623 100	126 564 438
Reinsurance premiums	-32 758 827	-20 897 265
<b>A Premiums for own account</b>	<b>111 864 273</b>	<b>105 667 173</b>
<b>B Other insurance related income</b>	<b>4 796 480</b>	<b>5 144 227</b>
Gross accrued claims	138 728 490	95 823 648
Reinsurers share of gross claims	-9 993 791	-15 305 597
<b>C Claims for own account</b>	<b>128 734 699</b>	<b>80 518 051</b>
Marketing expenses	7 961 544	7 525 675
<b>D Total insurance related expenses for own account</b>	<b>7 961 544</b>	<b>7 525 675</b>
<b>E Other insurance related expenses</b>	<b>8 570 189</b>	<b>9 577 508</b>
<b>F Operating result technical accounts (A+B-C-D-E)</b>	<b>-28 605 678</b>	<b>13 190 166</b>
Financial income	8 933 835	7 699 776
Realised gains and losses	5 149 684	4 436 039
Adjustment investment portfolio	10 450 588	-4 159 633
<b>G Total financial income</b>	<b>24 534 108</b>	<b>7 976 181</b>
<b>H Administration expenses financial assets</b>	<b>1 483 872</b>	<b>1 282 838</b>
<b>I Result from ordinary operations (F+G-H)</b>	<b>-5 555 442</b>	<b>19 883 510</b>
<b>J Tax expenses (income)</b>	<b>0</b>	<b>0</b>
<b>K Result before other result components (I-J)</b>	<b>-5 555 442</b>	<b>19 883 510</b>





# BALANCE SHEET

## Assets

All figures in USD		
	30.09.2019	31.12.2018
Shares in subsidiaries	3 313 685	3 313 685
Other shares	5 258 821	5 258 821
Mortgage loans	8 180 109	9 566 944
Stocks and shares	97 410 216	96 454 298
Bonds and foreign exchange contracts	336 334 302	311 086 141
Financial derivatives	1 311 848	450 602
Bank deposits investment portfolio	5 596 197	1 462 744
<b>Total financial assets</b>	<b>457 405 179</b>	<b>428 358 966</b>
Reinsured proportion of gross premium provisions	20 611 970	17 997 870
Reinsured proportion of gross claims provision	43 130 359	67 071 675
<b>Total reinsured proportion of insurance provisions</b>	<b>63 742 330</b>	<b>85 069 545</b>
Insurance related receivables	114 041 254	97 220 729
Reinsurance receivables	5 263 272	15 120 202
Disbursements	34 915 217	50 326 763
Other receivables	8 959 066	10 404 441
<b>Total receivables</b>	<b>163 178 809</b>	<b>173 072 135</b>
Properties	2 777 085	2 777 085
Equipment and fixtures	3 663 488	3 965 180
Cash and bank deposits	33 680 262	25 740 745
<b>Total other assets</b>	<b>40 120 836</b>	<b>32 483 011</b>
Accrued interest	1 426 403	1 406 340
<b>TOTAL ASSETS</b>	<b>725 873 557</b>	<b>720 389 997</b>

## Equity and Liabilities

All figures in USD		
	30.09.2019	31.12.2018
Equity	8 042 072	8 042 072
Other equity	290 093 645	295 649 086
<b>Total equity</b>	<b>298 135 716</b>	<b>303 691 158</b>
Unearned gross premium provision	99 857 928	83 164 845
Gross claims provision	220 204 879	227 474 826
<b>Total gross insurance provisions</b>	<b>320 062 807</b>	<b>310 639 671</b>
Pension liability	4 040 684	4 040 684
Withheld payroll tax, social security etc.	1 635 412	2 940 432
Deferred tax	77 530 895	77 530 895
Taxes payable	498 706	566 629
<b>Total tax etc. payable</b>	<b>83 705 696</b>	<b>85 078 639</b>
Payables direct insurance accounts	6 464 875	6 361 220
Payables reinsurance	8 398 070	4 432 149
Payables other accounts	9 106 393	10 187 161
<b>Total payables</b>	<b>23 969 338</b>	<b>20 980 529</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>725 873 557</b>	<b>720 389 997</b>



# STATEMENT OF CASH FLOW

All figures in USD

	30.09.2019	2018
Profit of the year before tax	-5 555 442	4 128 495
Change in net technical reserves	30 750 351	19 154 784
Net profit on sale of fixed shares	0	0
Change in disbursements	15 411 546	-3 923 236
Net profit on sale of fixed assets	0	0
Change in net pension funds	0	-205 722
Change in net receivables	-3 854 495	-10 389 037
Depreciation	536 468	812 936
Taxes paid	-45 027	-45 013
<b>Net cash flow from operations before financial assets</b>	<b>37 243 402</b>	<b>9 533 207</b>
Change in net bonds	-24 482 430	-11 207 213
Change in net stocks and shares	-955 918	8 606 423
Change in net financial derivatives	-861 246	-450 602
	0	0
<b>Net cash flow from financial assets</b>	<b>-26 299 594</b>	<b>-3 051 391</b>
<b>A Net cash flow from operational activities</b>	<b>10 943 808</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	0	-578 970
Net receipts/payments related to sale/purchase of fixed assets	-245 093	-499 003
Change in mortgage loans	1 386 835	761 933
<b>B Net cash inflow/outflow from investment activities</b>	<b>1 141 742</b>	<b>-316 039</b>
<b>C Net financing activities - dividend paid to members</b>	<b>0</b>	<b>0</b>
<b>C Effect of changes in exchange rates on cash and cash equivalents</b>	<b>-12 580</b>	<b>-522 725</b>
<b>A+B+C Net change in cash and cash equivalents</b>	<b>12 072 970</b>	<b>5 643 051</b>
<b>Cash and cash equivalents 01.01</b>	<b>27 203 490</b>	<b>21 560 439</b>
<b>Cash and cash equivalents</b>	<b>39 276 460</b>	<b>27 203 490</b>

# DEVELOPMENT IN EQUITY

All figures in USD

	Owners' funds	Other equity	Total equity
<b>Equity at 31.12.2018</b>	<b>8 042 072</b>	<b>295 649 086</b>	<b>303 691 158</b>
Allocation		-5 555 442	-5 555 442
<b>Equity at 30.09.2019</b>	<b>8 042 072</b>	<b>290 093 645</b>	<b>298 135 716</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 2018 and the annual report contains the full description of the accounting policies.

## Note 2- Claims expenses

	30.09.2019	30.09.2018
Gross claims	138 728 490	95 823 648
Claims for own account	128 734 699	80 518 051
<i>Run off gain (+) / loss (-) gross</i>	<i>5 411 091</i>	<i>6 576 856</i>
<i>Run off gain (+) / loss (-) for own account</i>	<i>4 286 585</i>	<i>1 184 364</i>

## Note 3 - Market value adjustments

	31.12.2018		30.09.2019		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	311 851 872	311 851 872	336 334 302	336 334 302	24 482 430	24 482 430
Stocks and shares	96 454 298	96 454 298	97 410 216	97 410 216	955 918	955 918
Derivatives	450 602	450 602	1 311 848	1 311 848	861 246	861 246
In total	408 756 772	408 756 772	435 056 366	435 056 366	26 299 594	26 299 594

## Note 4 - Off balance items

	30.09.2019	31.12.2018
Guarantee liability regarding claims		
Gross guarantees issued	120 872 641	103 239 423
Counter-guarantees from co-insurers	93 635 367	74 388 129
Guarantees for own account	27 237 274	28 851 294

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

## Note 5 - 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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