

Dear GJF-analyst,
It is time to start preparing for Gjensidige's Q1'24 reporting.

Reminders

Key dates

- **Q1'24 reporting:** 25 April 2024
- **Silent period:** starts on 1 April 2024
- **Availability for responding to questions:** Until 31 March. Please send us an email to schedule a call.

Consensus estimates

As always, we kindly ask you to forward to us your estimates, using the attached template. To be able to return to you and publish a consistent consensus for **all lines**, we kindly ask you to fill in all open (light blue) cells in the sheet.

- **Deadline for submitting your estimates to us:** 12 April 2024
- **Re-distribution of consensus:** We will publish consensus in the morning on 19 April 2024

Weather: Due to seasonality, the winter quarters **Q1** and Q4 normally have higher claims ratios than the summer quarters Q2 and Q3.

2024 has started off with tough weather conditions in our region. See links to some examples of press releases and media coverage here, commenting on heavy snowfall causing difficult driving conditions, low temperatures leading to frozen pipes and heavy precipitation leading to water damages. In addition, the central and northern regions of Norway were hit by the storm "Ingunn" in late January (the latest published estimate issued by the Norwegian Natural Perils Pool for the Norwegian insurance industry related to natural perils is MNOK 500):

- [1 000 kollisjoner | Gjensidige Forsikring ASA \(mynewsdesk.com\)](#)
- [Nettavisen - Nyhetsstudio](#)
- [Det «propper» seg til med frostskafer - ring rørleggeren | Gjensidige Forsikring ASA \(mynewsdesk.com\)](#)
- [Flere hundre skademeldinger på grunn av værsiftet – E24](#)
- [Dobbelt så många kollisionskador under vintern | Gjensidige](#)
- [Ekstremværet Ingunn gjorde skade for nærmere 500 millioner kroner \(naturskade.no\)](#)

Bear in mind that the Q1'23 results were somewhat impacted by difficult weather conditions in Norway, both for the Private and Commercial segments. Extract from the Q1'23 report: 'The Group underlying frequency loss ratio increased by 3.1 percentage points, with the main driver being difficult weather conditions in Norway which impacted motor claims.' Please refer to our Q1'23 report for further details.

Acquisitions in Denmark in 2023:

- PenSam Forsikring, completed and included in the private portfolio in Denmark on 31 October 2023 (press release: [NewsWeb \(oslobors.no\)](#))
- Commercial portfolio from Sønderjysk Forsikring completed on 1 September 2023 (press release: [NewsWeb \(oslobors.no\)](#))

Dividend: The proposed regular dividend for 2023 of NOK 8.75 per share will be paid on 5 April, subject to approval by the AGM on 20 March. The ex-date is 21 March.

Large losses: Our general expectation for normalised large losses in 2024, defined as losses above NOK 10 million, is approximately NOK 476 million per quarter (NOK 1.9 billion FY2023). Please note that this estimate is an undiscounted figure. Large losses in our IFRS 17 accounts are recognised at their discounted values.

The increase compared with the estimate in 2023 (MNOK 388 per quarter) is due to claims inflation, higher share of claims exceeding the threshold of MNOK 10 as a natural consequence of claims inflation and volume growth. In addition, the annual model calibration, reflecting continued high growth for Commercial over time, has impacted the distribution between frequency and large losses.

Excess reserves: Bear in mind our communication on the release of excess reserves - according to IFRS 17, it is not possible to retain identified excess reserves on the balance sheet. Our release of excess reserves related to the specific vintages between 2008 and 2014 (appx. BNOK 1 per year) were completed by the end of 2022. These were our planned releases. Going forward we will continue to set reserves according to our best estimate. However, bearing history in mind, we do expect run-off gains and losses also in the future.

Inflation: We will provide an update at our Q1'24 earnings call. These are the key points in our latest communication on the topic as explained at our Q4'23 results presentation on 24 January 2024:

- Based on our analysis, we expect claims inflation for private property in Norway in the 4 to 6 per cent range going forward. For motor in Norway, we expect claims inflation to start with 7 per cent in the short term, and gradually decline towards 4 per cent over the next 12-18 months.
- We stepped up price increases for private motor in Norway through 2023 to mitigate the impact of higher claims frequency on top of the high inflation level. We are now implementing further price increases which we expect to increase the average premium levels by at least additional 10 per cent in 2024. In addition, we have adjusted terms and conditions to bring down the claims frequency, and we are increasing deductibles for the remaining motor coverages.
- For private property in Norway, we are in the process of increasing prices with an expected effect on the average price level of 7 to 8 per cent on the portfolio for 2024.

Loan issues and buybacks:

- Purpose: optimising our capital base further and taking advantage of attractive market conditions
- February:
 - Issue of T2 loan of MNOK 800 with a floating rate coupon equal to 3 months NIBOR + 1.70 per cent p.a. ([NewsWeb \(oslobors.no\)](https://www.oslobors.no))
 - Buy-back of MNOK 263 in the T2 loan GJF 01. Remaining outstanding loan amount on GJF 01 after this is MNOK 241 ([NewsWeb \(oslobors.no\)](https://www.oslobors.no))
- March:
 - Issue of T1 loan of MNOK 800 with a floating rate coupon equal to 3 months NIBOR + 2.80 per cent p.a. ([NewsWeb \(oslobors.no\)](https://www.oslobors.no))
- Solvency ratio impact from the issues and buybacks mentioned above, calculated on SCR as at 31 December 2023: +11 percentage points (reported 31/12/23: 166%; assuming issues and buybacks mentioned above: 177%)

Solvency II (SII) calculations:

In general, the main items that explain quarterly changes in eligible own funds are as follows:

- Capital generation through SII operating earnings and return on the free portfolio. Usually more or less equivalent to profit after tax based on IFRS accounts. However, differences in valuation of assets and liabilities between IFRS accounts and SII calculations (although less after IFRS 17), mainly related to intangible assets and technical provisions, and the subsequent tax effects realised in the P&L.
- Subtraction of formulaic dividend (80 per cent of profit after tax – in accordance with our dividend policy). Replaced by actual proposed or declared dividend upon proposal/declaration.
- Regulatory/model changes, for example approval of internal model changes by the Norwegian FSA.

- Capital actions such as new loans or M&A-transactions (impact on eligible own funds dependent on intangible assets).

The main items that explain the quarterly changes in **solvency capital requirement** are as follows:

- Growth - the components are non-life and health UW risk, life UW risk, market risk, counter-party risk, diversification, operational risk, adjustments related to loss-absorbing capacity of deferred tax and regulatory changes.
- Non-life and health underwriting risks are generally relatively stable over time, increasing with growth in exposure and may change if there are significant changes in product composition.
- Life underwriting risk primarily reflects lapse risk for unit-linked products. Lapse risk depends on the size of the unit-linked portfolio as it is related to loss of expected future profit. Risk depends on growth in exposure and capital market developments, impacting assets under management.
- Market risk variations are driven by changes in asset allocation and asset values.
- Counterparty risk is limited as we have limited exposure to counterparties.
- Diversification depends on the development in the risks above.
- Operational risk is calculated as a percentage of the size of the business, and it is expected to increase gradually with growth in business volume.
- Loss-absorbing capacity of deferred tax reduces capital requirement. It represents the tax relief that will occur after a loss. The development is quite stable measured in percentage of the sum of basic capital requirement and operational risk.
- Regulatory changes and management actions such as changing reinsurance program, issuing new loans or M&A-transactions may affect own funds and capital requirement from time to time.

Investment portfolio:

- Bear in mind that all bonds are recognised at fair value from 1.1.2023, due to IFRS 9. While rising interest rates generate higher interest income over time, it is important to remember that rising rates have an immediate negative impact on the valuation of fixed-income assets. And of course, the impacts are opposite when interest rates decrease.

Likewise, an increase in credit spreads has an immediate negative impact on the value of bonds with credit exposure, while a decrease in credit spreads will have a positive impact on bonds with a credit exposure. So far in Q1 (by mid-March), credit spreads in the Nordics are slightly tighter compared with the average spreads in the fourth quarter 2023.

- As a reminder, please note that the net financial result for the Match portfolio consists of the return on the Match portfolio, minus unwinding and change in financial assumptions. The interest income from the Match portfolio is intended to equal interest expenses on liabilities over time. Hence, the net result on the Match portfolio, given a perfect match, should over time be zero, except for returns on credit exposure held in the Match portfolio. As commented by our CFO at our CMD on 22 November 2023, the investments in the Match portfolio have an average credit spread of approximately 60 basis points.

For running yields and duration, please see extract from the Q4'23 financial report, page 16:

	Yield and duration	
	Yield in per cent	Duration in years
	31.12.2023	31.12.2023
<u>Match portfolio</u>		
Fixed-income NOK	5.1	2.4
Fixed-income DKK	3.0	4.4
Fixed-income other currencies	3.4	2.6
<u>Match portfolio</u>	4.3	3.1
<u>Free portfolio</u>	4.5	1.7
Insurance liabilities general Insurance		3.5

For details on relevant benchmarks for the Match and Free portfolios, please see list below (as listed in the appendix section of the quarterly presentations):

Asset class	Benchmark
Match portfolio	
Fixed-income NOK	NBP Norwegian RM1-RM3 Duration 3Y Index - NORM123D3 (Alternatively: a Norwegian IG fund with 3 year duration)
Fixed-income DKK	Nykredit Constant Maturity Index Bullet Covered Bonds 5Y - NYKRCMB5 Index
Fixed-income other currencies	Bloomberg Euro Agg Treasury 3-5Y - LET3TREU Index
Free portfolio	
Fixed-income – short duration	NBP Norwegian Government Duration 0.25 Index - NOGOVD3M (Alternatively: I36032NO Index Bloomberg Barclays Norway T-Bills)
Global investment grade bonds	Bloomberg Global Agg Corp - Hedged to NOK - H09805NO Index
Global high yield bonds	Bloomberg Global HY- Hedged to NOK - H00039NO Index
Other bonds	NBP Norwegian Government Duration 0.25 Index - NOGOVD3M (Alternatively: I36032NO Index Bloomberg Barclays Norway T-Bills)
Listed equities	MSCI World – Local Currency - NDDLWI Index
Private Equity funds	Oslo Børs - OSEBX index
Other	NBP Norwegian Government Duration 0.25 Index - NOGOVD3M (Alternatively: I36032NO Index Bloomberg Barclays Norway T-Bills)

IFRS 9 & 17: Bear in mind the Q1-Q4 2022 figures for the Group stated according to IFRS 9 and 17 and other relevant material published on our web site here, under Other documents for 2023 and 2024. A few reminders on some of the items:

- Unwinding is the expense arising from release of discount as time passes on liabilities for incurred claims (LIC).
- Change in financial assumptions is the impact of changes of financial assumptions on LIC, herein mainly interest rates.
- For rules of thumb and other reminders on estimating discounting and the insurance finance items, please see an example spread sheet on our web site [here](#), under Other documents for 2024 and the slide from our 2023 Analyst Day below:



Some reminders on estimating new accounting items related to IFRS 17

Discounting

- Discounting of all claims reserves in General Insurance compared with ~20% under IFRS 4 (annuities)
- Applying swap interest rates for relevant currency, reflecting currency of liability
- Discounting performed on a monthly basis, based on interest rates at the end of the month

Insurance finance

- Rules of thumb for quarterly estimates:
 - Unwinding: LIC at end of previous quarter x (swap rates at end of previous quarter matching currency and duration of LIC/4).
 - Change in financial assumptions: LIC at end of previous quarter x change since previous quarter in swap rates matching currency x duration of LIC

Factors explaining deviation on estimates from rules of thumb

- Monthly calculations
- Geographic mix of liabilities
- Duration
- FX
- Interest rate volatility
- Different movements in short and long interest rates
- FX volatility

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- Duration of total general insurance liabilities (LIC) at 31.12.2023: 3.5 years (page 16 in the Q4'23 financial report and extract table inserted in section about investments above).
- LIC distribution per currency: Please see the extract below, from page 185 in our annual report for 2023:

Table 3 – Liabilities for incurred claims per country for general insurance

NOK millions	Liabilities for incurred claims	
	2023	2022
Norway	19,508.1	17,378.2
Denmark	8,701.3	7,609.2
Sweden	2,271.0	2,028.1
Baltic	749.2	598.4
Corporate Center/reinsurance	145.6	260.4
Total	31,375.2	27,874.4

Swap rate currency	Swap rate maturity	Swap rates			
		31.12.23	31.01.24	29.02.24	15.03.24
NOK	2 years	3.85%	4.03%	4.44%	4.33%
DKK	5 years	2.60%	2.70%	2.96%	2.94%
SEK	4 years	2.44%	2.60%	2.94%	2.83%
EUR	3 years	2.56%	2.63%	3.01%	3.00%

General information

Weather is one of the most important indicators for understanding the seasonality in our insurance service result. Below are misc. sources for weather data and information in Norway. Bear in mind the complexity of

several factors including duration and levels of precipitation, intra-quarter temperature variations, wind, geographical variations etc.

- <https://www.met.no/en> and <https://www.met.no/publikasjoner/met-info>
- www.varsom.no/en
- <https://www.senorge.no/map>
- Press releases from Finance Norway can be found here (in Norwegian only):
<https://www.finansnorge.no/aktuelt/nyheter/>