



Annual report on the Norwegian Natural Perils Pool for 2018

The activities of the Norwegian Natural Perils Pool have their legal basis in Act No. 70 of 16 June 1989 on Natural Perils Insurance and the Rules for the Norwegian Natural Perils Pool issued by royal decree of 21 December 1979 as subsequently amended by the Ministry of Justice and Public Security.

The Norwegian Natural Perils Pool equalises natural perils claims between insurers that write fire insurance in Norway. Participation in the Pool is compulsory for companies that write this class of insurance in Norway. The Pool obtains reinsurance cover from the deductible to the applicable limit for natural perils insurance on behalf of member companies.

The Pool had 100 member companies on 31 December 2018.

The Pool is managed by Finance Norway, Hansteens gate 2, 0202 Oslo.

Claims in 2018

Like 2017, 2018 was a year with relatively few natural disasters. As at 31 December, 9 614 claims with an estimated total value of NOK 472.5 million had been reported, and NOK 223 million paid out.

The largest event was Storm Helene on 19-23 September, which led to 2 462 claims for damage due to floods and landslides with an estimated total value of NOK 123.5 million.

The second-largest event was the flooding and landslides in Oppland and Vestlandet on 15-17 October, which caused estimated losses of NOK 120 million across 517 claims.

The third-largest, Storm Johanne, hit Østfold and Østlandet in August and led to 1 070 claims with an estimated total value of NOK 44 million.

The event that attracted the most media coverage was the flooding in May. With large amounts of snow at altitude and a sudden rise in temperatures forecast, experts were concerned that the melt water would not be absorbed by the frozen hillsides and would therefore overload rivers and present a major risk of flood damage. Luckily, things went much better than feared. The Norwegian Water Resources and Energy Directorate, municipalities and others took important preventive steps which significantly reduced the amount of damage. Total losses are estimated at around NOK 43 million.

The claims committee and the Pool's office took part in public meetings in Luster and Skjåk following the flooding on 15-17 October.

Key activities/decisions in 2018:

Adoption of premium level

At its meeting on 14 June, the board decided that the premium for natural perils insurance should be kept at the same level as in 2017, namely 0.07‰ of the fire sum insured. This rate applies from 1



January 2019. The board has noted an underlying downward tendency/trend in natural damage claims in recent years and will monitor developments closely in 2019.

2018 reinsurance programme

The Pool purchases reinsurance cover for member companies and worked on placing the 2019 programme during the autumn.

The programme was placed with assistance from the brokers AON Benfield (flag broker) and Guy Carpenter (co-broker).

In the light of the Pool's reinsurance principles, the retention for the reinsurance programme was kept at NOK 1.5 billion for 2019.

Structure of the Pool's reinsurance programme in 2019:

Limit:

NOK 2 000 000 000	xs	NOK 1 500 000 000
NOK 12 500 000 000	xs	NOK 3 500 000 000

The gross reinsurance premium for the 2019 programme agreed in autumn 2018 is NOK 225 576 350, up around NOK 331 000 on the year before.

NINA claims reporting system

The Pool's claims reporting system NINA (the database for all financial equalisation in the Pool's activities) was in use throughout 2018. The office also worked during the year on quality assurance and ensuring that the system was operating properly.

Various enhancements were made and new functions added, most notably in areas relating to claims audits.

Claims auditing

In 2018, the Pool's staff was expanded by three full-time claims auditors recruited to review claims equalised through the Pool. This function was previously performed by "buying" hours from experienced natural damage claims processors at insurance companies and through audits performed by the claims committee and the Pool's office.

In 2017, the board decided that all cases with payouts above NOK 100 000 and a selection of claims below this limit should be audited each month. The claims audit team will review around 3 000 claims each year. Dialogue with companies takes place through a chat function in the NINA system. The team also spends much time updating and training members, and serves as an important technical resource for the Pool. The new audit regime started up on 1 January 2019.

The claims committee and the office carried out an audit of closed claims in the period 1 July 2016 to 30 June 2017. A total of 1 616 cases representing a total payout of around NOK 739 million were examined. The review resulted in 1 013 comments (some claims contained more than one error,



while 61.3% escaped comment). These comments indicated that the Pool was overcharged by NOK 36 million net, giving a reversal rate of 4.9%. This sum has been reversed.

The audit report was presented to the board at its meeting on 16 June 2018.

In autumn 2018, we began work on the transition to monthly auditing by the new audit team. For the months of September, October, November and December, around 769 cases were audited, and errors amounting to around NOK 19.3 million were detected.

In connection with the new audit regime, we have obtained direct access to seven companies' systems. After selecting claims for auditing, the auditors can now log directly into the companies' systems to obtain the necessary information. This has required the auditors to be trained in the use of all of these different systems.

Improvements:

The Pool put considerable resources into preparing for the new audit regime during the year. This has required major changes to IT systems and some internal reorganisation at the Pool. By 31 December 2018, we were in the final phase of the changeover. The move to direct chat, direct downloading of documents and direct access to the seven companies' own systems has made auditing much less of a burden on members. Previously, the necessary documentation needed to be identified, screened, scanned and transmitted to the Pool by members themselves.

The Pool's board:

Following the Annual Meeting on 7 June 2017, the board has had the following members:

Full members	Personal deputies
Knut Beckstrøm, chair If Skadeforsikring NUF	Rune Smådal If Skadeforsikring NUF
Tor Erik Silset, deputy chair Gjensidige Forsikring ASA	Pål Adam Gjensidige Forsikring ASA
Jan K. Kristoffersen SpareBank 1 Skadeforsikring AS	Nils Tore Nilsen SpareBank 1 Skadeforsikring AS
Odd Arne Hoel KLP Skadeforsikring AS	Øivind Huse Storebrand skadeforsikring
Hans Petter Madsen DNB Forsikring AS	Hans Olav Høiby Eika Forsikring
Fredrik Øyan Protector Forsikring ASA	Ingar Rasmussen Codan Forsikring
Espen Strømme Tryg Forsikring	Ragnar Kayser Tryg Forsikring
Øyvind Flatner Finance Norway	Kari Mørk Finance Norway



The board held 9 meetings in 2018, five of which took the form of a conference call. No fees were paid to its members.

Hans Petter Madsen left DNB Forsikring in 2017, and his deputy Hans Olav Høyby was elected as a board member at the annual meeting in 2018.

Composition and activities of the committees in 2018:

Claims committee

The claims committee is to conduct the necessary checks on claims submitted by member companies. The committee is also to provide the necessary co-ordination following major events where multiple companies and/or the Norwegian National Fund for Natural Damage Assistance are involved in the same event.

The claims committee had the following members in 2018:

Committee members
Jens Krog, chair DNB Forsikring
Espen Jensen, deputy chair Tryg Forsikring
Sven Gullingsrud until 01.07.2018, then Alex Wold SpareBank 1 Skadeforsikring AS
Pål Vermedal Gjensidige Forsikring ASA
Johan Lunde Wilmann If Skadeforsikring NUF

Key activities led by the claims committee in 2018:

Claims audit

Each year the claims committee, together with the audit committee, is to audit a selection of claims submitted by member companies to the Pool in accordance with guidelines laid down by the claims committee. An audit report was presented for claims finalised between 1 July 2016 and 30 June 2017.

Further information on claims auditing can be found under "Claims auditing" above.

Courses and seminars

The claims committee held two courses for claims processors in 2018: one basic and one advanced. In addition, a separate course was held for one member company which needed a large number of employees to be trained up.

Once again the feedback from participants was largely positive.



Audit committee

The audit committee audits claims reported to the Pool by member companies in accordance with guidelines issued by the claims committee in the form of an audit manual and a claims manual.

The audit committee was active until 1 July 2018, after which the audit team took over this role.

The audit committee had the following members in 2018:

Audit committee
Sven Gullingsrud, chair SpareBank 1 Skadeforsikring AS
Monica Gangstø Tryg Forsikring
Alex Wold SpareBank 1 Skadeforsikring AS
Kjersti Fjærestad Gjensidige Forsikring ASA
Ingrid E. Moland If Skadeforsikring NUF

Terms committee

The terms committee is to make recommendations on underwriting guidelines for the calculation of premiums and prepare terms for settlement. It is also to give an opinion on individual cases where there is doubt about the interpretation of the guidelines.

In addition, the committee is to serve as a consultative body for the board when considering amendment of the underwriting guidelines and terms.

The terms committee had the following members in 2018:

Name	Company		First elected
Lars Marthinsen, chair	SpareBank 1 Forsikring		08.11.2016 (chair from 01.09.2017)
Jostein Kalvenes	Tryg Forsikring AS		01.09.2017
Simon Andre Olsen	Gjensidige Forsikring ASA		01.09.2017
Richard Zimowski	If Skadeforsikring NUF		01.09.2017

Reinsurance committee



The reinsurance committee advises the Pool's board on the purchase of collective reinsurance on behalf of participants. The committee is responsible for preparing information for reinsurers and for the wording of reinsurance contracts. In addition, the committee is to obtain quotations, draw up proposals for the reinsurance programme and recommend brokers. The committee is authorised to issue guidelines on the reinsurers to be used, and is responsible for approving these reinsurers before cover commences.

The committee now has five members, the Pool's board having decided to enlarge the committee at its meeting on 28 February 2017. In addition, If Skadeforsikring AB decided to change its representative on the committee to Anna-Kitty Ekstam.

The reinsurance committee had the following members in 2018:

Name	Company		First elected
Nina Klaveness Ek	SpareBank 1 Skadeforsikring AS		
Anna-Kitty Ekstam	If Skadeforsikring AB		03.02.2017
Anders Christian Carstensen	Tryg Forsikring Denmark		
Anita Gundersen	Gjensidige Forsikring ASA		
Christoffer Skyrud	Protector Forsikring ASA		28.02.2017

Liaison committee

The liaison committee consists of representatives of the Norwegian National Scheme for Natural Damage Assistance and the Norwegian Natural Perils Pool. The role of the committee is to handle matters of mutual interest to the two parties and exchange the necessary information. The Rules for the Pool require the committee to meet at least every fourth month. Three meetings were held in 2018.

The following from the Norwegian National Fund for Natural Damage Assistance attended one or more meetings in 2018:

Gunn Eide	Norwegian Agricultural Authority
Tron Bø	Norwegian Agricultural Authority
Ellen Ervik	Norwegian Agricultural Authority
Trine Buttingsrud Mathiesen	Chair of appeals board, Advokatfirmaet Buttingsrud DA (lawyers)
Jens Krog	Chair of claims committee
Geir Trulserud	Norwegian Natural Perils Pool
Synnøve Folkvord	Norwegian Natural Perils Pool

The pool's development, results and continued operation:



In the board's opinion, the financial statements provide a true and fair view of the Pool's assets and liabilities and of its financial position and results. The board confirms that the Pool is a going concern and that the financial statements have been prepared on this basis. There have been no events since the balance sheet date material to an assessment of the Pool's position.

Organisation, working environment and board of directors

The Pool had seven employees at the end of 2018, an increase of three following the recruitment of claims auditors.

The Pool's activities do not pollute the external environment. The working environment is considered satisfactory, with very low sickness absence of 0.68%. The Pool practises gender equality both when recruiting and otherwise. The Pool employs four women and three men. The board consists entirely of men.

Oslo, 6 May 2019

The board of the Norwegian Natural Perils Pool

Knut Beckstrøm
Chair

Tor Erik Silset
Deputy chair

Espen Strømme

Jan K. Kristoffersen

Fredrik Øyan

Hans Olav Høiby

Odd-Arne Hoel

Øyvind Flatner

Geir R. Trulserud
Director