

Annual Report 2022

Norwegian Natural Perils Pool



About the Pool

The Norwegian Natural Perils Pool ensures insurance cover for damage caused by natural disasters to anything covered by fire insurance, such as buildings, contents, machinery, gardens and installations. Policyholders claim on their own insurers, and the Pool equalises claims based on market share.

Regulation of the scheme

The Pool's activities are regulated by the Natural Perils Insurance Act of 16 June 1989 and the Rules for the Norwegian Natural Perils Pool issued by royal decree of 21 December 1979 and subsequently amended by the Ministry of Justice and Public Security.

All companies that write fire insurance in Norway and Svalbard are required by Norwegian law to be members of the Pool.

What the scheme covers

With a few exceptions, everything in Norway and Svalbard that is at risk from fire and is insured against fire is automatically also insured against natural perils. The exceptions that are not covered by the scheme are regulated by the authorities through the Natural Perils Insurance Act. The exceptions are natural damage to forestry and standing crops, goods in transit, motor vehicles and motor vehicle trailers, aircraft, ships and small boats and their contents, fishing gear on vessels or in the sea, equipment in the sea for the production of fish, fish in cages, nets or dams, and equipment for extracting oil, gas or other natural deposits on the seabed.

The calculation of the payout following natural damage depends on the ordinary insurance cover for the items damaged.

Equalisation of claims

The scheme equalises natural perils claims between insurers based on their market share.

Reinsurance

The scheme is also to ensure that reinsurance cover is obtained for natural perils insurance on behalf of member companies. This cover is to apply between the retention for members and the overall limit of liability for a natural disaster, which is set at NOK 16 billion in the applicable regulation. The Pool's board sets the retention each year, and it was unchanged from previous years at NOK 1.5 billion in 2022.

Premium

The premium is set by the board each year. The board starts from a risk-based premium calculated using recognised actuarial methods and principles. The calculations take account of all claims payments back to 1980, including adjustment and reinsurance costs. The premium also allows for the Pool's administration costs and the reimbursement of claims from members. On 17 June 2021, the board set a premium for 2022 of 0.0065% of the fire sum insured. On 13 June 2022, the board set an unchanged premium for 2023 of 0.0065% of the fire sum insured.

Fire sum insured

The total sum insured against fire at 1 July 2022 was approximately NOK 23.8 trillion across 92 member companies.

Address

The Pool operates from offices at Hansteens gate 2 in Oslo.

Changes to the Natural Perils Insurance Act

The Storting – the Norwegian parliament – has approved amendments to the Natural Perils Insurance Act which will eventually entail significant changes to how the scheme is administered.

Additional loss events

On 24 May 2022, the Storting approved an amendment to the Natural Perils Insurance Act extending the loss events covered to include meteorite strikes and flood wave/tsunami with effect from 1 January 2023.

Creation of a central natural perils fund

In addition, the Storting approved the creation of a central natural perils fund within the Pool. It has yet to be decided when the new fund will begin to be built up.

The resolution was summarised as follows:¹

“The Storting approved the Government’s proposed amendments to the Natural Perils Insurance Act (creation of natural perils capital in the Norwegian Natural Perils Pool etc). The Storting also resolved to ask the Government to consider the possibility of designing the natural perils insurance scheme in such a way that it takes greater account of the need for prevention, without this coming at the cost of the principle of shared liability and equal premiums for policyholders nationwide.”

The coming changes to the act and associated regulations demanded considerable input from the Pool’s staff, legal advisers, board and member representatives in autumn 2022. Resources were put into analyses and preparations for the new scheme, which increases the staff’s responsibilities over the current scheme. The board therefore appointed a number of working groups which worked on key topics such as tax, a new IT system, fund adjustments and accounting, reinsurance and the organisation of the Pool.

¹ Source: <https://www.stortinget.no/no/Saker-og-publikasjoner/Saker/Sak/?p=88388>



Claims in 2022

There were three major storm events in January 2022. Storm Gyda on 12–15 January was closely followed by another storm on 16–19 January, and the month ended with Storm Malik on 29–31 January. These three events resulted in around 9 500 claims with an estimated value of around NOK 500 million.

Another major event in 2022 was the flooding in the county of Vestland (formerly Hordaland) on 11–12 November, which hit Voss particularly hard. This event is expected to result in claims of around NOK 63 million.

Claims reporting system

The Pool's claims reporting system NINA, which serves as the database for all financial equalisation in the Pool's activities, was in use throughout 2022. Staff continued to work on quality assurance and ensuring that the system was operating properly.

Member companies' administration costs

There have been differing interpretations of whether the existing rules permit companies to charge historical administration costs against the natural perils capital they have built up. The rules on insurers' administration costs are set out in Section 4 of the Regulation on the Rules for the Pool.

A group representing a minority of members/insurers¹ obtained a legal opinion supporting their view that deductions may be made for historical administration costs. To obtain

an objective opinion, the Pool's board also commissioned a legal assessment, which concluded that it is not possible to deduct these expenses. The board asked the Pool's staff to approach the Ministry of Justice and Public Security with a request for a definitive interpretation of Section 4 to gain clarity on the rules. No response has yet been received.

¹ The group comprises Ly Forsikring, Frende Forsikring, Protector Forsikring, KNIF Trygghetsforsikring, Landkreditt Forsikring and WaterCircles Forsikring, which together have a market share of around 9%.

Reinsurance

The Pool purchases reinsurance cover on behalf of member companies.

2022 reinsurance programme

The Pool placed the programme for 2022 in autumn 2021.

The programme was placed with assistance from the brokers AON Benfield as flag broker and Guy Carpenter as 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 2022.

Insurers’ combined liability for any one natural disaster is limited to NOK 16 billion in Section 2 of the Regulation on Retention and Limitation of Liability in Natural Perils Insurance.

No events in 2022 were large enough to trigger the reinsurance programme. The reinsurance programme was last used in 2011 following Storm Dagmar.

The reinsurance programme for 2022 had one full reinstatement. The structure of the Pool's reinsurance programme for 2022 was:

Limit per layer:
NOK 2 000 000 000 xs NOK 1 500 000 000
NOK 12 500 000 000 xs NOK 3 500 000 000

2023 reinsurance programme

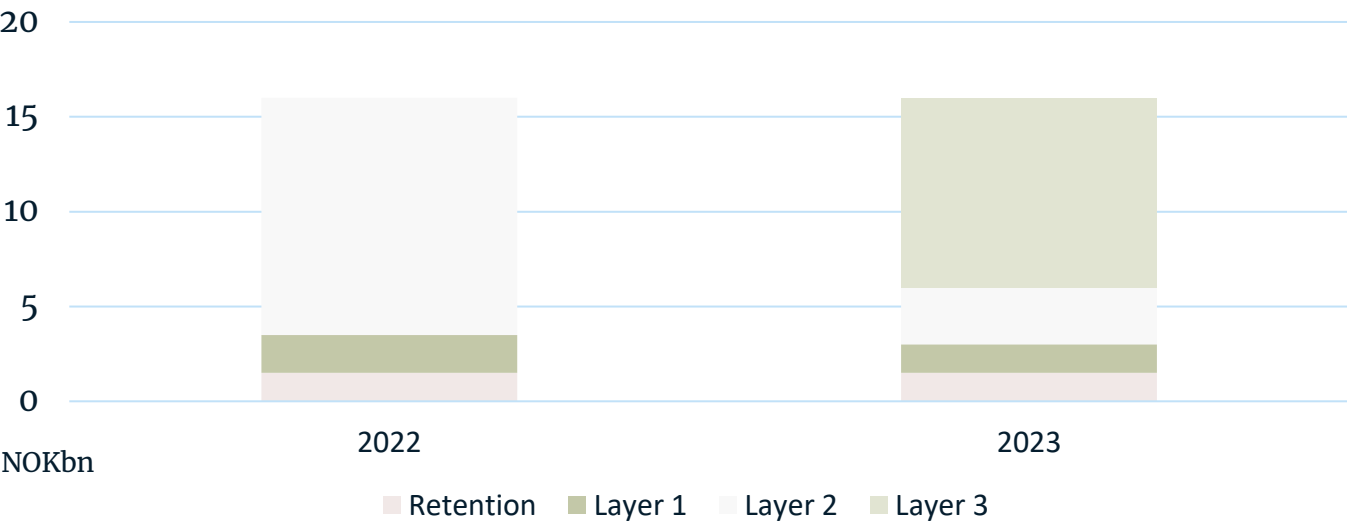
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In the light of the Pool’s Reinsurance Principles, the retention for the reinsurance programme was kept at NOK 1.5 billion for 2023.

The reinsurance programme for 2023 has one full reinstatement. The structure of the Pool's reinsurance programme was expanded by one layer for 2023:

Limit per layer:
NOK 1 500 000 000 xs NOK 1 500 000 000
NOK 3 000 000 000 xs NOK 3 000 000 000
NOK 10 000 000 000 xs NOK 6 000 000 000



Claims auditing

The claims audit team is to review around 1 000 claims each year. The team consisted of three employees, for most of 2022, and reviewed around 3 000 claims during the course of the year. The board decided in 2022 that the team should be expanded with one further FTE, and the new team member started on 1 October 2022.

The audit team has an ongoing dialogue with insurers during the year via the IT system NINA.

The team also spends much time updating and training members, and serves as an important technical resource for the Pool.

The claims committee presented its audit report for 2022 at the board meeting of 14 March 2023. This covered claims audited between 1 January and 31 December 2022.

A total of 3 557 cases were reviewed. Errors with a value of around NOK 54.7 million were identified, giving a reversal rate of 5.7%. Following the quick-clay landslide in Gjerdrum, insurers were

closely monitored by the audit team before claims were settled. Excluding claims from Gjerdrum, the reversal rate would have been 9.1%. The reversal rate in previous years was around 6%.



The board's composition and activities

The board of the Norwegian Natural Perils Pool

Following the Annual Meeting on 9 June 2022, the board has had the following members:

Full members	Personal deputies
Jostein Damming, chair Tryg Forsikring	Trond Valdersnes Tryg Forsikring
Glenn Olsen, deputy chair If Skadeforsikring NUF	Svein Arne Aas If skadeforsikring NUF
Marianne Sundvall Fremtind Forsikring AS	Roger Strand Fremtind Forsikring AS
Odd Arne Hoel KLP Skadeforsikring AS	Øivind Huse, Storebrand Skadeforsikring
Hans Olav Høiby Eika Forsikring	Tor Olav Langeland Frende Forsikring
Fredrik Øyan Protector Forsikring ASA	Marianne Brinch van Meenen JBF bank og forsikring
Øyvind Skallerud Gjensidige Forsikring ASA	Truls Erik Aasen Gjensidige Forsikring ASA
Øyvind Flatner Finance Norway	Kari Mørk Finance Norway

The board held 14 meetings in 2022 including a seminar and extra meetings. Several extra meetings were held in 2022 due to the coming legislative changes. The meetings were held partly in person and partly on Teams. No fees are paid to the board's members.

The claims committee's composition and activities

The claims committee

The claims committee is to conduct the necessary checks on claims submitted by member companies. In practice, it is the claims auditing team that carries out these checks.

The committee is also to provide the necessary co-ordination following major events where multiple companies and/or the Norwegian National Scheme for Natural Damage Assistance are involved in the same event. The committee and the Pool's staff had a dialogue with the National Scheme for Natural Damage Assistance in connection with a public meeting following the flooding in the county of Vestland on 11-12 November 2022, which hit Voss municipality particularly hard. The event is expected to result in claims of around NOK 60 million.

The committee carried out checks on the work of the claims auditors on two occasions in 2022. The conclusion was that claims auditing is being carried out in accordance with the rules and guidelines issued for this function.

The claims committee had the following members at the end of 2022:

Members
Espen Jensen, chair Tryg Forsikring
Bjørn Sævild, deputy chair Gjensidige Forsikring ASA
Jens Krog, Fremtind Forsikring AS
Johan Lunde Wilmann If Skadeforsikring NUF
Yngve Høvik Frende Forsikring

Courses

Courses for insurance companies' claims processors:

One basic course was held online in the spring, and one in person during the autumn. There were also two advanced courses, both held in person, in the spring and autumn.

Courses for claims adjusters:

The Pool and the committee contributed as speakers on two courses arranged by NEAK/Norsk Takst.

The terms committee's composition and activities

The 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 at the end of 2022:

Name	Company
Ingunn Synnøve Skaalen, chair	Fremtind Forsikring
Simon Veder Vigeland	Gjensidige Forsikring ASA
Ina Vilde Løken	If Skadeforsikring NUF
Einar Brekken	Tryg Forsikring
Anders Trosvik	Eika

Changes to the Terms for Settlement through the Natural Perils Pool

The terms committee works continuously on quality assurance of the wording and content of the Terms for Settlement.

In 2022, it worked on the section on losses as a result of policyholders being unable to use their own home following an event. It was decided to add that operating losses cannot be claimed.

Adjustments were also made in the light of the change in the law extending the loss events covered to include tsunamis and meteorite strikes.

The changes were communicated to members in Circular No. 12/2022.

The reinsurance committee's composition and activities

The 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 has five members.

The reinsurance committee had the following members at the end of 2022:

Name	Company
Nina Klaveness Ek, chair	Fremtind Forsikring AS
Erik Nordblom	If Skadeforsikring AB
Henrik Nedahl	Tryg Forsikring, Denmark
Anita Gundersen	Gjensidige Forsikring ASA
Christoffer Skyrud	Protector Forsikring ASA



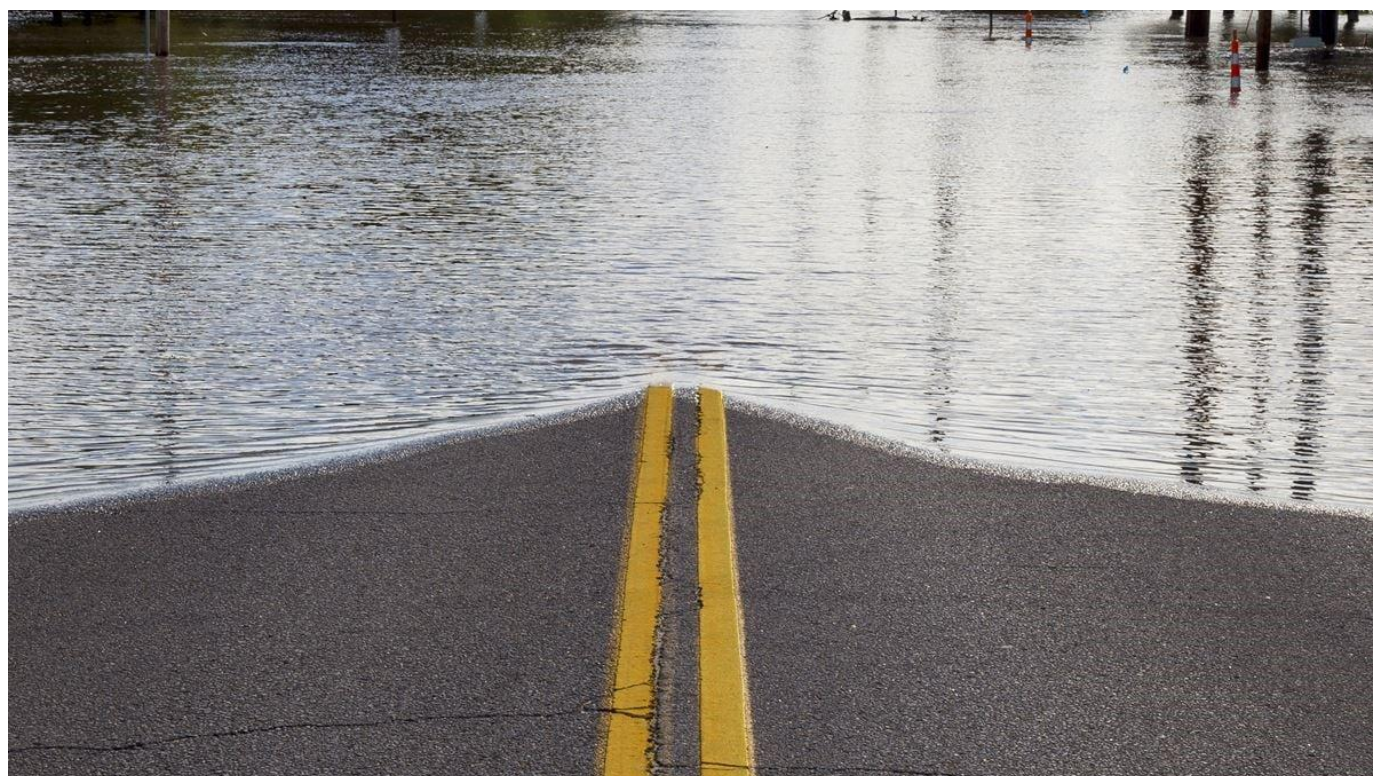
The liaison committee's composition and activities

The 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 Pool's Rules require the committee to meet at least every fourth month. Four meetings were held in 2022.

The liaison committee had the following members at the end of 2022:

Name	Organisation
Kai Terje Dretvik	Norwegian Agricultural Authority (chair)
Alexandra Sunde	Norwegian Agricultural Authority
Øivind Panzer Iversen	Chair of appeals board, deputy chair/judge at Møre og Romsdal District Court
Espen Jensen	Chair of claims committee
Geir Trulserud	Norwegian Natural Perils Pool
Synnøve Folkvord	Norwegian Natural Perils Pool



Organisation, working environment and social responsibility

Organisation

To reduce the vulnerability of small units and ensure cost-effective operation, eight legal entities have come together under the Finance Norway Insurance Services (FNF) umbrella.

FNF provides a number of central functions for the members of the FNF family, which include the Pool. These functions include IT operation and development, risk assessments, personnel administration, communication, legal services, finance, shared services and HR. Personnel policy and follow-up are also centralised.

There were 70 employees in the FNF family at the end of 2022, including nine at the Pool.

External environment

The Pool is a primarily office-based operation and does not impact on the environment any more than is normal in the sector. In the FNF family, the shared services function is responsible for the operation of the building and works continuously with the owner and manager on identifying and implementing energy-efficient solutions.

Working environment

The working environment is considered to be satisfactory. Sickness absence in 2022 was 3.49%, on a par with sickness absence in the FNF family of 3.63%. This is well below the national average and also below the average for the financial sector. Employees who fall ill are followed up in accordance with internal procedures and supported by the joint HR function for the FNF family. Employees also have health insurance as part of the staff welfare programme. The sickness absence was not a result of occupational factors.

55% of the Pool's employees in 2022 were women, and 45% were men.

Social responsibility

To reduce the likelihood of corruption and bribery, we have stepped up security in payment procedures in the finance unit and introduced checklists for purchases and ethical guidelines.

Areas covered by social responsibility requirements are reviewed in annual risk reviews and staff appraisals.

Procedures have been established for reporting non-conformances and for whistleblowing. An agreement has been signed with a third party on handling whistleblowing reports where this is appropriate given the nature of the case.

The Pool has an important social responsibility when it comes to natural disasters.

Based on the account given in this document, we believe that we meet the requirements for social responsibility.

Transparency Act

FNF will publish its report on due diligence on its website on 30 June 2023. FNF has mapped the supply chain and begun work on due diligence both internally and in the supply chain.

Directors' and officers' liability insurance

The Pool's staff have taken out directors' and officers' liability insurance with AIG Europe SA for the Pool's board and director.

Acknowledgement

The board would like to thank the Pool's staff for a job well done in 2022.

Oslo, xx May 2023

The board of the
NORWEGIAN NATURAL PERILS POOL

Jostein Damminge, chair

Marianne Sundvall

Glenn Olsen, deputy chair

Øyvind Skallerud

Fredrik Øyan

Hans Olav Høiby

Odd-Arne Hoel

Kari Mørk

Ståle Solem Ingebrigtsen, director



Norsk Naturskadepool

Norwegian Natural Perils Pool