

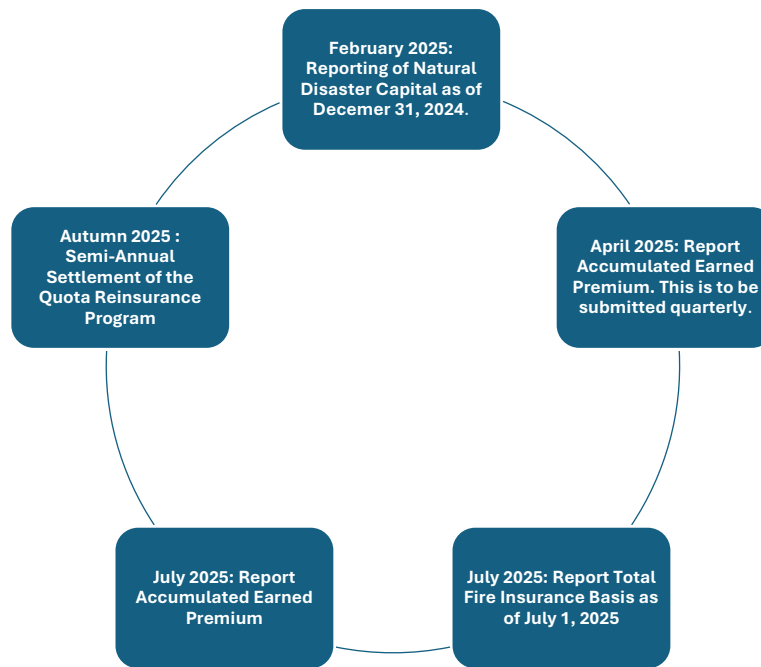


Norsk Naturskadepool

Norwegian Natural Perils Pool

Circular 3/2025:

Revised Reporting Requirements to the Norwegian Natural Perils Pool Effective January 1, 2025:



The above circles show the timeline for reporting to the Norwegian Natural Perils Pool (NNPP) from 2025.

From 1 January 2025, new regulations for the natural perils insurance scheme have come into effect. Among other things, a central fund will be established, the board composition will be changed, and insurance companies will be reimbursed for administrative costs related to natural perils insurance.

The new regulations are outlined in:

Law on Amendments to Natural Perils Insurance, etc.

Regulation on Natural Perils Insurance (hereinafter referred to as the Regulation)

There are no changes to the rules related to monthly reporting of claims, including any payments and reserves/remaining reserves. Settlements will be carried out quarterly. All settlements can be found in the natural perils pool's claims reporting system, Meteor, and an email notification will be sent to the contact person when new settlements are produced.

The costs included in the damage compensation are described in the Regulation on Natural Perils Insurance, Section 28, effective from 1 January 2025.

Members must continuously report all natural perils claims to the natural perils pool. Reporting of new claims must be sent no later than the same month the members received information about the claim. Changes to previously submitted information must be reported without undue delay, cf. Section 26 of the Regulation. This section also lists the information that must be sent to the pool.

1) Central Natural Perils Fund in the Norwegian Natural Perils Pool:

According to Section 4, subsections 2 and 3 of the Natural Perils Insurance Act, effective from 1 January 2025:

"In claim years with a surplus, a member of the perils pool shall transfer their share of the surplus to the pool's natural perils capital. In claim years with a deficit, the member's share of the deficit shall be covered by the pool's natural perils capital, with the limitations provided in the fourth subsection. If the pool's natural perils capital is insufficient to fully or partially cover the deficit, the member shall cover their share of the remaining deficit. The perils pool manages the pool's natural perils capital.

Until and including the claim year in which the pool's natural perils capital reaches a size of four billion kroner, a member who themselves has set aside natural perils capital in their accounts shall cover deficits from their own natural perils capital before they can claim deficits covered by the pool's natural perils capital. The first sentence applies correspondingly if the pool's natural perils capital falls below three billion kroner within ten years after the end of the claim year mentioned in the first sentence."

Premium and premium collection are regulated in Section 2 of the Regulation:

"The natural perils premium is calculated based on the fire insurance sum for the insured object and a premium rate. The premium rate is set annually by the board of the Norwegian Natural Perils Pool and shall be the same for all policyholders. The premium is collected by the policyholder's own insurance company and must be specified as a separate item in the insurance certificate."

Furthermore, Section 25 of the Regulation stipulates that members have an obligation to provide information to the pool:

"For each individual claim year, members of the pool shall, without undue delay, inform the pool of:

1. The member's total fire insurance sum as of 1 July
2. The member's total earned premium income
3. The amount that constitutes the compensation for the member's administrative costs pursuant to Section 38

4. The size of the member's natural perils capital.

Members must also provide other information the pool needs for claims reporting to the members, claims equalization, and the natural perils accounts.

In the case of co-insurance, the lead insurer is responsible for providing the information required by the first and second paragraphs."

2) Reporting Earned Premium in Connection with the Reinsurance Program:

For 2025, a reinsurance program has been established with a quota and XL solution. In 2025, there will be semi-annual settlements with reinsurers for the quota solution. To ensure figures from all our members, we request that earned premium/accumulated premium is reported to the Natural Perils Pool on a quarterly basis. In addition to quarterly reporting, we request reporting of earned premium income as of November 30, which can be used as a preliminary basis in the pool's natural perils accounts.

The sums shall be reported in NNPP's claims reporting system Meteor, and those in the companies who have the roles 'Company Administrator' and 'Company Financial Officer' in the system will receive a notification via email about this.

3) Settlement with reinsurers for the quota program:

The Natural Perils Pool will conduct a semi-annual settlement with reinsurers in connection with the 2025 reinsurance quota program. As soon as possible after June 30, when the Natural Perils Pool has sufficient information, a settlement with reinsurers will be conducted.

Calculation of the quota solution:

+ the member's earned premium as of June 30 (50%)
– paid claims as of June 30 (50%)
– settlement fee as of June 30 (50%)
– commission as of June 30 (15%)
= Total settlement of the quota solution as of June 30.

In the event of a positive result in the above calculation, the company will receive an invoice for payment to NNPP. In the event of a negative result, NNPP will make claims against the reinsurers and refund the companies as soon as the funds are in place.

Invoice will be issued by the Natural Perils Pool, and in the event of late payment by members, they will be charged a late fee.

4) Calculation of the equalization basis/allocation key in the Norwegian Natural Perils Pool:

According to Regulation § 32, the equalization basis/membership share shall constitute the ratio between the fire insurance sum of the individual members in the pool and the total fire insurance sums of all members, and shall be determined as a percentage with four decimal places.

The fire insurance sums of the pool's members as of July 1 in the claim year form the basis for the equalization basis.

The fire insurance sum as of July 1 each year shall be reported in Meteor. The roles 'Company Administrator' and 'Company Financial Officer' in the system will receive an email with a link to the system for registering the sum.

The steps in the equalization process are as follows:

- 1) The companies continuously report claims information and updates of the information.
- 2) Each month NNPP prepares a monthly report with information on reported claims, provisions/remaining provisions, payments, and the companies' settlement fees. The reporting applies to the previous month and is published on one of the first business days of the following month. The report is available in Meteor. All costs for the current claim year are distributed according to the membership share as of July 1 of the previous year. According to Regulation § 27 1st paragraph.
- 3) Each quarter: NNPP conducts a quarterly settlement in which all reported costs are allocated to the companies according to the membership share. For the current claim year, costs are allocated according to the membership share as of July 1 of the previous year. Invoices and credit notes are issued to the members. The quarterly settlement is published in Meteor on one of the first business days after the end of the quarter. According to Regulation § 27 2nd paragraph.
- 4) Annual settlement: NNPP conducts the Q4 quarterly settlement. An annual final settlement is then conducted, correcting for the membership share as of July 1 of the current claim year. The current year is thus corrected with the correct membership share for the current year. The annual settlement is carried out on one of the first business days of the new year and published in Meteor. Invoices and credit notes will then be sent out. According to Regulation § 27 3rd paragraph.
- 5) Twice a year (semi-annually), members receive an invoice for contribution equalization. This means covering the operating costs of the Natural Perils Pool as well as the costs covering the reinsurance premium (XL program).