

General Information about the Norwegian Natural Perils Pool

1. Introduction

The Norwegian Natural Perils Pool (the pool) was established on January 1, 1980. The provision is enshrined in the Natural Disaster Insurance Act of June 16, 1989, and the Natural Disaster Insurance Regulations of January 26, 2024 (the Regulations). Natural disaster insurance is mandatory coverage linked to fire insurance in Norway. All non-life insurance companies that underwrite fire insurance in Norway must be members of the pool, regardless of where the company is headquartered.

2. Functioning

The pool is a loss equalization pool, where incurred natural disaster losses, as well as reinsurance and administrative costs, are distributed among the member companies according to their share in the pool, corresponding to the proportional share of the members' total fire insurance sum in Norway. The subject of loss equalization among the pool's members is the sum of the members' payments to the insured for natural disaster compensation, the members' loss assessment costs, and the members' claims settlement costs. The rules on costs included in the loss equalization are set out in Section 28 of the Regulations.

3. Membership

All non-life insurance companies that cover natural disasters under Section 1 cf. Section 4 of the Natural Disaster Insurance Act must be members of the pool. A non-life insurance company must ensure that the pool is notified of its membership. Companies that start underwriting fire insurance in Norway must immediately contact the pool to arrange membership.

4. First Year as a Member of the Pool

In the first year as a member, the non-life insurance company must report the fire insurance sum, on a separate form, to the pool on the following dates: 31.03, 30.06, 30.09, and 30.11. At the end of the year, the pool will determine the new member's share (membership share) in the scheme. Based on this share, the new member will be invoiced for the natural disaster scheme's compensation payments, including loss assessment costs, reinsurance costs, and the pool's administrative costs for the first year. At the beginning of year 2, access will be created for the new member in the pool's claims reporting and accounting system, Meteor. As soon as access in Meteor is created, the new member can enter information about claims, payments, and remaining provisions that occurred in year 1. From year 2, all natural disasters are registered continuously in Meteor. In the system, the member will also receive feedback on claims audits, reinsurance settlements, report various key figures, and the system shows monthly, quarterly, and annual reports.

5. The Pool's Routines

What natural disaster insurance covers and how the premium is calculated are set out in Section § 2 of the Regulations and the document "Underwriting Guidelines for Natural Disaster Insurance," which can be found on our website.

Natural Disaster Premium and Premium Collection, Section § 2 of the Regulations:
"The natural disaster premium is calculated based on the fire insurance sum for the insured item and a premium rate. The premium rate is set annually by the NP board and must 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."

Settlement of Compensation, Deductible, and Reporting to the Pool:

In the event of a natural disaster, the insurance company settles with the insured. The general rule is that the company has the right to settle compensation according to its own company's terms for fire on the damaged object. The settlement is limited to the provisions in the which can be found on our website against the pool and any limitations in law or regulations. The size of the insured's deductible for natural disasters is the one that is current according to Section § 6 of the Regulations.

The pool's members must continuously report to the pool on all natural disasters in accordance with Section § 26 of the Regulations. Reports on new claims must be sent no later than the same month the member received information about the claim. Changes to previously submitted information must be reported without undue delay. Reporting must be done through the pool's electronic claims registration system, Meteor. In the case of co-insurance, the lead insurer is responsible for reporting claims. The reporting must include the following information about each natural disaster:

1. The estimated gross size of the claim
2. Payments made for natural disaster compensation and incurred loss assessment costs
3. The member's name, number, or code
4. The date of the claim
5. The claim number
6. The cause of the claim
7. The municipality number of the claim location
8. The nature of the risk
9. The policyholder's name.

Terms for Settlement of Natural Disasters:

The provisions of the settlement apply to

- The provisions of the Natural Disaster Insurance Act of June 16,
- 1989 the Insurance Contracts Act of June 16, 1989 (FAL),
- the Natural Disaster Insurance Regulations of January 26, 2025

- and the "Terms for Settlement against the Norwegian Natural Perils Pool" apply to the settlement.

The main rule is that the company has the right to settle compensation according to its own company's terms for fire on the damaged object. The settlement is limited to the provisions in the settlement terms and any limitations in law or regulations. It is not permitted to settle compensation for objects that are insured in violation of the "Underwriting Guidelines." It is only permitted to settle natural disasters that have occurred in Norway or Svalbard.

Equalization Basis, Section § 32 of the Regulations:

"The equalization basis (the distribution key) constitutes the ratio between the fire insurance sum of the individual members in the pool and the total fire insurance sums of all members and is determined as a percentage with four decimal places."

The fire insurance sums of the pool's members as of July 1 in the year of the claim form the basis for the equalization basis. If loss equalization occurs before the fire insurance sums as of July 1 in the year of the claim are reported, the fire insurance sums of the members as of July 1 in the previous year of the claim are provisionally used as the basis. Such equalizations are adjusted as soon as the fire insurance sums as of July 1 in the year of the claim are reported. For sumless fire insurance policies, the board sets an average insurance sum that forms the basis for the loss equalization.

For members who start underwriting fire insurance in the relevant year of the claim, the average of the member's reported quarterly fire insurance sums in the year of the claim is used as the basis for the loss equalization. If the liability period begins in the last quarter, an average of the fire insurance sums in that quarter is used as the basis."

For members who cease to take out fire insurance in the relevant year of the claim, the average of the member's reported quarterly fire insurance sums in the year of the claim is used as the basis for loss equalization. If the liability period expires in the first quarter, an average of the fire insurance sums in that quarter is used as the basis.

For each individual year of the claim, the pool performs a separate loss equalization until all claims are settled. The right to loss equalization for a year of the claim ceases after ten years. A year of the claim consists of all claims that occurred during a calendar year, in accordance with Section § 33 of the Regulations.

The Pool's Administrative Costs (Contribution Equalization)

- Twice a year (semi-annually), the members receive an invoice for the pool's administrative costs.
- The administrative costs cover the pool's administrative costs related to the operation of the pool and the natural disaster insurance scheme, as well as reinsurance costs related to the "Excess of Loss" program (XL program).

- The costs are distributed among the member companies in proportion to the membership share as of July 1 of the previous year, and the invoicing is done in January and June.

Monthly Settlement

- Every month, the pool performs monthly reporting with information about reported claims, provisions, payments, and the companies' settlement fees for each individual year of the claim. The reporting applies to the previous month and is published in Meteor on one of the first working days of the following month.
- All reported claims are summed and distributed among all member companies in proportion to their share in the pool. For the current year of the claim, everything is distributed in proportion to the membership share as of July 1 of the previous year.
- Member companies receive an email when the monthly settlement is available in Meteor. The email is sent to users who have the role of Company Administrator and Company Financial Officer in the system.

The rules for carrying out the settlement/equalization are set out in Section § 33 of the Regulations.

Quarterly Settlement

- At the end of each quarter, the pool prepares an accumulated quarterly settlement, based on the monthly settlements from the relevant quarter. All reported claims are distributed among the companies in proportion to the membership share. For the current year of the claim, costs are distributed in proportion to the membership share as of July 1 of the previous year.
- The quarterly settlement includes a statement showing the amount each member must pay to or receive back from the pool in the loss equalization.
- Member companies receive an email when the quarterly settlement is available in Meteor. The email is sent to users who have the role of Company Administrator and Company Financial Officer in the system.
- A member who, according to the quarterly settlement, must make a payment to the pool will receive an invoice for the amount from NP. The invoice must be paid within two weeks of issuance. In case of late payment, interest on arrears is calculated in accordance with the Interest on Overdue Payments Act.
- A member who, according to the quarterly settlement, is entitled to a payment from the pool will receive a credit note for the amount from the pool. The payment must be made no later than four weeks after the date of the quarterly report.

The rules for carrying out the settlement/equalization are set out in Section 33 of the Regulations.

Annual Settlement

- After the quarterly settlement for the 4th quarter is completed, the pool prepares an annual settlement each year based on the final equalization basis as of July 1 of the same year. The annual settlement is carried out on one of the first working days of the new year.
- In the annual settlement, all previous settlements for the current year of the claim are corrected, as well as the invoicing of reinsurance costs and administrative costs, in accordance with the new equalization basis.
- Member companies receive an email when the annual settlement is available in Meteor. The email is sent to users who have the role of Company Administrator and Company Financial Officer in the system.
- The annual settlement indicates the amount each member must pay to or receive back from the pool in the equalization. An increased share in the pool will result in the member receiving an invoice, while a lower share will result in the member receiving a credit note. The same payment deadlines as in the quarterly settlement also apply to the annual settlement.

6. Natural Disaster Accounts and the Establishment of a Central Fund in the Pool

In connection with the entry into force of the Natural Disaster Insurance Regulations on January 1, 2025, a central fund will be established in the pool for the management of natural disaster capital, and the fund will be placed and managed by the pool. The fund will gradually build up capital to a minimum of NOK 4 billion. Simply put, this is done by transferring the member's share of the surplus from the member to the fund in years with a surplus in the pool's natural disaster accounts. In deficit years, member companies can request deficit coverage for their share of the deficit from the central fund. The rules for this are set out in Section 40 of the Regulations. Whether there is a surplus or deficit in the natural disaster accounts is based on the following components:

1. Earned premium income
2. Any compensation paid by reinsurers
3. Compensation payments
4. Estimated future costs resulting from incurred natural disasters
5. Loss assessment costs
6. Claims settlement costs
7. Reinsurance costs
8. The pool's administrative costs
9. Compensation for the members' administrative costs.

From the start in 2025, there will be transitional arrangements, Section § 40 of the Regulations, which means that members who have accumulated natural disaster capital, in deficit years, must first draw on their own booked natural disaster capital to cover the deficit. Eventually, the fund will transition to a permanent arrangement where all companies can request deficit coverage. This occurs when the fund reaches a size of NOK 4 billion.

In connection with the regular financial reporting to the annual meeting, the pool's board will establish a comprehensive natural disaster account for the pool, which will form the basis for payments to and from the fund. The natural disaster account must include a statement of the latest year of the claim, and for previous outstanding years of the claim, the account must provide statements of changes from previous natural disaster accounts.

Based on the statements, the pool will calculate a result for each year of the claim for the pool as a whole and for each member. The pool's members must send NP the necessary material for the preparation of the natural disaster account within a specified deadline. The natural disaster account is sent to NP's members as soon as the board has established it. The statement of years of the claim in the natural disaster account is also available in Meteor.

Based on the natural disaster account, the pool sends an invoice to members who must make a payment of natural disaster capital to the pool, with information about the amount each member must pay and the calculation underlying the amount. The invoice must be paid within two weeks. In case of late payment, interest on arrears is calculated in accordance with the Interest on Overdue Payments Act.

Members who are entitled to a payment of natural disaster capital from the fund will receive a credit note for the amount from the pool with information about the amount and the calculation underlying it. The payment must be made within three weeks. In case of late payment, interest on arrears is calculated in accordance with the Interest on Overdue Payments Act.

A member of the pool who believes they are entitled to deficit coverage from the pool's natural disaster capital must themselves prove that they are not covered by the limitation in the transitional arrangement. If this is not proven, the limitation applies to the member.

The pool's members do not have ownership rights to the pool's natural disaster capital. Natural disaster capital allocated according to the regulations of December 21, 1979, no. 3420 on instructions for the Norwegian Natural Perils Pool, Section 11, fourth paragraph, belongs to the company and must be used exclusively for covering future natural disasters.

7. Reinsurance in the Pool

The pool manages the reinsurance coverage in the natural disaster insurance scheme. For 2025, a reinsurance program with a quota and XL solution has been established. The quota has a limit of NOK 2 billion, so the self-insurance on XL is NOK 2 billion. Furthermore, the XL solution consists of NOK 4 billion xs NOK 2 billion, and NOK 10 billion xs NOK 6 billion. Thus, the XL solution covers the insurance companies' total liability for natural disaster compensation in the event of a single natural catastrophe up to NOK 16 billion (the current liability limit in NP).

In 2025, there will be semi-annual settlements with the reinsurers on the quota solution. To ensure figures from all our members, we request that accumulated, earned natural disaster premiums be reported to the pool quarterly. 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 disaster accounts. Earned natural disaster premiums must be registered in Meteor, and those in the companies who have the roles of Company

Administrator and Company Financial Officer in the system will receive an email about this.

The pool will perform a semi-annual settlement with the reinsurers in connection with the quota solution in 2025. As soon as possible after June 30, when NP has received sufficient information, the settlement with the reinsurers will be carried out.

Calculation of the Quota Solution at the First Settlement:

- 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 quota solution as of June 30.

= Total settlement quota solution as of June 30.

In the event of a positive result in the calculation above, the company will receive an invoice for payment to NP. In the event of a negative result, NP will make a claim against the reinsurers and repay the companies as soon as the funds are in place. An invoice will be issued by NP, and in the event of late payment from the members, they will be charged with interest on arrears.

8. Members' Duty to Provide Information to the Pool

For each individual year of the claim, the members of NP must, without undue delay, inform the pool about:

1. The member's total fire insurance sum as of July 1
2. The member's total earned premium income
3. The amount that constitutes compensation for the member's administrative costs
4. The size of the member's natural disaster capital.

Members must also provide other information NP needs for claims reporting to the members, loss equalization, and the natural disaster account.

In the case of co-insurance, the lead insurer is responsible for providing the information," cf. Section § 25 of the Regulations.

9. Other Compensation Schemes for Natural Disasters in Norway

The State Natural Disaster Scheme (formerly the State Natural Disaster Fund).

The State Natural Disaster Scheme has the task of:

- Providing compensation for natural disasters in cases where it is not possible to insure against the damage through a regular insurance scheme,



- Promoting protection against natural disasters, and
- Providing grants for protective measures.

The State Natural Disaster Scheme cannot provide compensation if the injured party receives compensation for the damage from insurance.

Claims can be reported on the State Natural Disaster Scheme's website www.landbruksdirektoratet.no.

The claim must be reported no later than 3 months after the damage has occurred.

10. Appeal options

The Appeals Board for Natural Disaster Cases is a common body for both compensation schemes. If the injured party has received a reduced (lower compensation) or rejected compensation settlement from the insurance company, which the injured party believes is incorrect, the decision can be appealed to the Appeals Board for Natural Disaster Cases.

11. Addresses

Norsk Naturskadepool

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