privatSIKRING

Forsikringsselskabet Privatsikring A/S

Solvency and Financial Condition Report

2016

Introduction

Forsikringsselskabet Privatsikring A/S (the ‘Company’) is a public limited company incorporated and domiciled in Denmark. The Company conducts a non-life insurance business in Denmark through partnership with local banks. The Company is owned by Codan Forsikring A/S, which is one of the largest non-life insurance providers in Scandinavia. The Company is part of RSA Insurance Group plc, one of the world’s leading insurance groups with the benefits that naturally follow.

This document sets out the solvency and financial condition of the Company as at 31 December 2016, as required by Solvency II Regulations.

Those regulations prescribe the structure of this document and indicate the nature of the information that must be reported under a series of headings and sub-headings. Where information is not applicable to the Company, for completeness the report still contains the heading, but with an appropriate note.

Figures for the Company represent the position of the Company as a legal entity. Forsikringsselskabet Privatsikring A/S is a subsidiary of Codan Forsikring A/S whose ultimate parent company is RSA Insurance Group plc, which prepares a Group consolidated Solvency and Financial Condition Report in accordance with applicable law.

This document makes reference to the Company’s 2016 Annual Report which can be accessed from the Company’s web site at https://www.codan.dk/om-codan/rapporterogfinans. Information in the Annual Report is prepared according to statutory accounting rules and the management accounting practices of the Company, whereas information in this Solvency and Financial Condition Report is governed by Solvency II rules. Important differences include valuation methodologies for assets, technical provisions and other liabilities, definitions of asset and liability categories, definitions of underwriting lines of business and the presentation of certain information by geographic region versus legal entity. Therefore the numbers in this Solvency and Financial Condition Report will not always correspond to the numbers in the Annual Report.

As a general insurance business, the Company does not place any reliance on transitional measures for technical provisions as referred to in Articles 308c and 308d of Directive 2009/138/EC, or on measures such as the matching adjustment and the volatility adjustment as referred to in Articles 77b and 77d respectively of Directive 2009/138/EC. Consequently there will be no information regarding these measures in this report.

Summary

Business Performance

Underwriting Result

2016 was a good year for the Company with an underwriting result of DKK 56m based on a solid current year result driven by positive top line growth mainly with Fire and other damage to property, strong underlying performance in combination with run-off gains in motor and income protection slightly offset with higher than expected underlying claims in motor liability.

The balance on the technical account is positive with DKK 56m in 2016 against a positive balance of DKK 60m in 2015. Combined ratio was 91.4, which is 2.4% lower than expected and higher than last year's combined ratio of 90.1. The lower combined ratio last year was driven by larger run-off gains.

Investment Result

The Company's investments are primarily made in bonds. The total investment return was DKK 4m for 2016 against DKK 2m for 2015. The investment return after return on and value adjustments on technical provisions amounted to DKK 5m against DKK 3m in 2015.

Operating Profit

The profit for the year is as slightly below expected but delivers on the Company's objective of improving the underlying results. The profit is affected by run-off gains.

For further details of the Company's business and performance, see section A of the report.

Capital Position

Solvency II position	Requirement (SCR) DKKk	Eligible Own Funds DKKk	Surplus DKKk	Coverage %
31 December 2016	**180,508**	**417,192**	**236,684**	**230**

The Company's solvency coverage (its eligible own funds divided by its Solvency Capital Requirement ('SCR')) declined to 230%.

The key drivers of the decrease in the coverage ratio were:

- Increase in the SCR mainly driven by higher assumed commission payments in the budget affecting the underwriting result adversely;
- Increase in profit for the year, however, the increase is proportionally lower than the increase in the SCR.

See section E of the report for further details regarding the Company's capital position, capital requirements and own funds items.

Risk Profile Changes in the Year

Main driver of changes are the annual recalibration of volatility in the Internal Model, which led to a slight decrease in risk associated with prior year business and new business (underwriting risk). The change is considered to be minor adjustments to the modelled risk following recalibration utilising another year of data rather than being a shift in perception of the underlying risk.

See section C of the report for further details regarding the Company's risk profile.

Capital Activity

No material capital activity has affected the Company's basic own funds during 2016.

A. Business and Performance

A.1 Business

A.1.1 Company Name & Legal Form

This report covers Forsikringsselskabet Privatsikring A/S (the ‘Company’), a private (unlisted) limited company incorporated in Denmark.

A.1.2 Supervisory Authority

The Danish Financial Supervisory Authority (‘Danish FSA’) is the supervisor. Contact details are:

Århusgade 110
DK-2100 Copenhagen Ø

Telephone: +45 3355 8282

Website: https://www.finanstilsynet.dk/

A.1.3 External Auditor

The external auditor of the Company is:

KPMG, Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen Ø

Telephone: +45 7070 7760

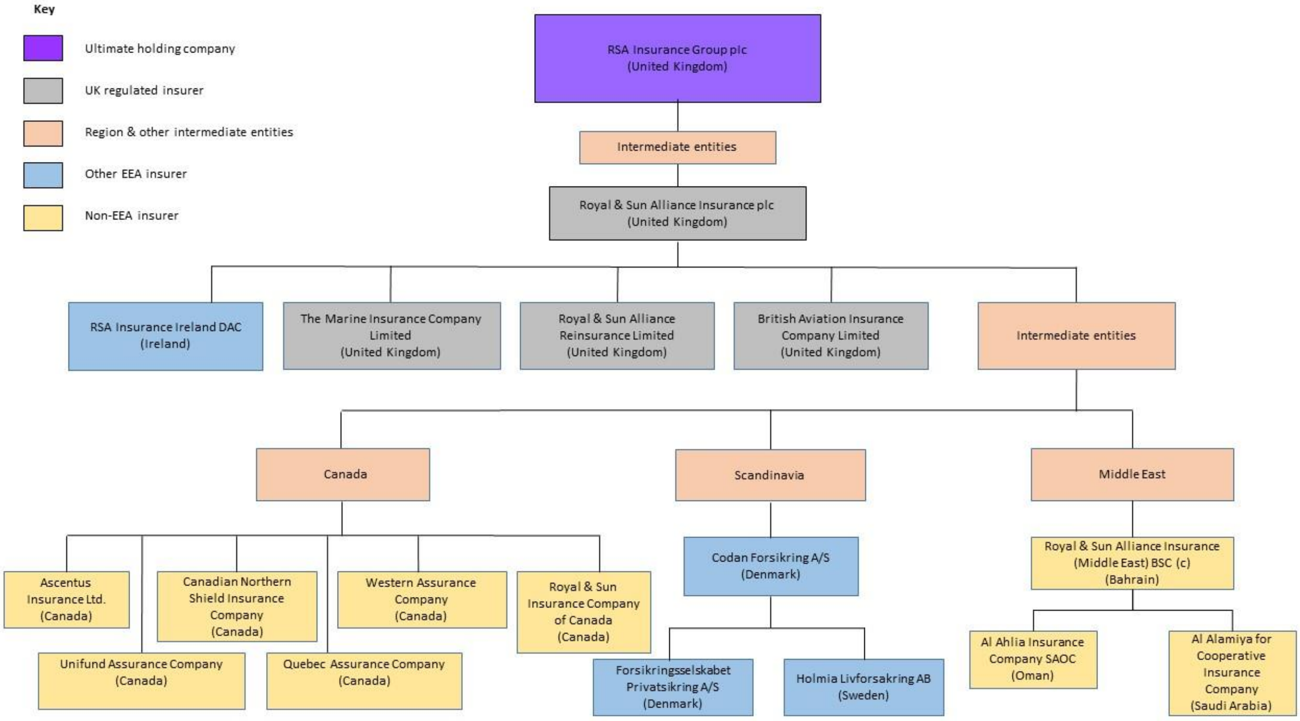
A.1.4 Holders of Qualifying Holdings

Codan Forsikring A/S, Frederiksberg, owns 100% of the shares in Forsikringsselskabet Privatsikring A/S.

A.1.5 Position within the Group Legal Structure

The insurance company, Codan Forsikring A/S owns 100% of the shares in the Company. Codan Forsikring A/S is a wholly owned subsidiary of the holding company Codan A/S, which via intermediary companies is owned by RSA Insurance Group plc.

A.1.6 Material Related Undertakings



The RSA Group, which the Company is part of, is organised into regional operating segments with businesses in Scandinavia, Canada, UK, Ireland and the Middle East.

A.1.7 Simplified Group Structure

See section A.1.6.

A.1.8 Business Lines and Geographical Areas

The Company's material lines of business and material geographical areas where it carries out business are detailed in the table below:

Geographic regions
Denmark
Line of businesses – non-life
Income protection
Motor vehicle liability
Other motor
Fire and damage to property

A.1.9 Significant Events

Nothing to report.

A.2 Underwriting Performance

A.2.1 Performance by Line of Business

An analysis of underwriting performance of the group for the year ended 31 December 2016 by material line of business is detailed below:

	Net Written Premium DKKk	Underwriting Result DKKk
Non-life		
Income protection	127,005	25,231
Motor vehicle liability	43,606	(11,350)
Other motor	151,452	34,333
Fire and other damage to property	248,762	5,417
Total material lines of business	570,825	53,631
Non-material	62,436	2,823
Total per financial statements	**633,261**	**56,454**

The main contributors to the result are

- Motor other of DKK 34,333k driven by good underlying performance in combination with run-off gains
- Income protection of DKK 25,231k impacted by solid current year result in combination with run-off gains
- Negative result within Motor liability as a result of higher than expected underlying claims
- Positive top line growth mainly with Fire and other damage to property

A.2.2 Performance by Geographic Area

An analysis of underwriting performance of the Company for the year ended 31 December 2016 by material geographical area where it carries out business is detailed below (the Company only operates in Denmark):

	Denmark DKKk
Net Written Premiums	**633,261**
Net Earned Premiums	628,740
Net Incurred Claims	(378,120)
Expenses	(194,166)
Underwriting result	**56,454**

A.3 Investment Performance

A.3.1 Income and Expenses by Class

Asset classes shown in this section follow the definitions used in the Company's financial statements which may differ from the definitions used in Section D (Valuation for Solvency Purposes) of this report.

A summary of the investment return split into interest income and dividends and value adjustments is given below:

Investments	**2016** **DKKk**
Interest income and dividends, etc.	27,683
Value adjustments	(20,167)
Interest expense	(16)
Investment management expenses	(2,452)
Total investment return	**5,048**

Value adjustments	**2016** **DKKk**
Units in open-ended funds	(164)
Bonds	(19,983)
Total investments	**(20,147)**
Value adjustments, discounting of provisions for outstanding claims and other unrealised gain and losses	(20)
Value adjustments	**(20,147)**
Realised gains and losses on investments	(7,396)
Unrealised gains and losses on investments	(12,752)
Other realised gains and losses	(15)
Value adjustments, discounting of provisions for outstanding claims and other unrealised gains and losses	(4)
Value adjustments	**(20,167)**

A.3.2 Gains and Losses Recognised in Equity

There are no gains or losses recognised in equity for the year ended 31 December 2016.

A.3.3 Investments in Securitisation

The Company has no investments in securitisation.

A.4 Performance of Other Activities

A.4.1 Other Material Income & Expenses

Nothing to report.

A.4.2 Operating and Financial Leasing Arrangements

Nothing to report.

A.5 Any other Information

Nothing to report.

B. System of Governance

B.1 General Information on the System of Governance

B.1.1 Board Structure

The Board of Directors (the 'Board') of the Company has adopted the System of Governance document issued for Codan Forsikring A/S as the entire operation of the Company is outsourced to Codan Forsikring A/S. However, the following provisions are applied

- The Company has its own Board adopted Business Model based on insurance on the Danish market

The Company does not have any Board committees; all mentions hereof should read as reference to the entire Board of Directors. The Company's business is overseen by a Board of Directors.

The Board may exercise all the powers of the Company subject to the Articles of Association, relevant laws, and any directions as may be given by shareholder resolution at a general meeting.

The Board operates on the basis of a business operating model promotes high standards of corporate governance and conduct throughout the Company and has a solid governance framework in place. The Chairman is responsible for leading the annual review of the effectiveness of the Board.

The Board is accountable to stakeholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The Board meets frequently and is responsible for organising and directing the affairs of the Company in a manner that will promote the success of the company and is consistent with good corporate governance practice, ensuring that in carrying out its duties the Company meets legal and regulatory requirements.

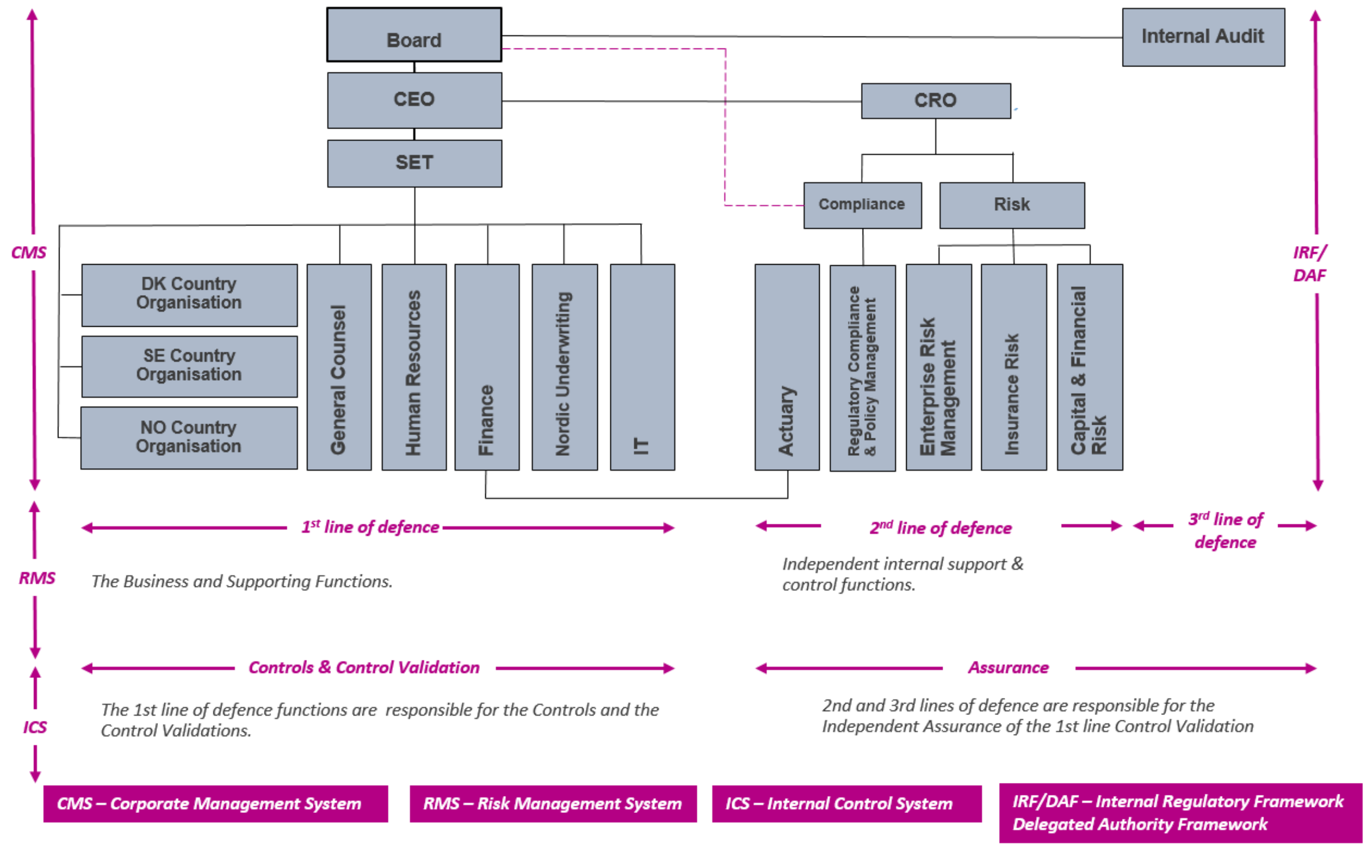
The Board sets annual objectives for the business in line with the current Company strategy and monitors the achievement of the Company's objective through regular reports which include updates from the Chief Executive Officer and the Chief Financial Officer on all material business matters.

B.1.2 Independent Key Governance Functions

The key governance functions are defined by law and are required to have a clearly defined independence in order to ensure the governance of the Company. The key governance function consist of:

- The Actuarial Function
- The Internal Audit Function
- The Risk Function
- The Compliance Function¨

The diagram below, of the Company's management structure, shows the senior management and the day to day reporting lines of those functions, which the Board has determined to be the key governance functions:



B.1.3 Changes in System of Governance

There have been no material changes to the System of Governance in the last twelve months.

B.1.4 Principles of Remuneration Policy

The Remuneration Policy sets out how decisions on remuneration will be made and is designed to align with the business strategy and the long term interests of the Company and shareholders.

The Remuneration Policy is focused on pay-for-performance. The Company operates a remuneration framework which covers both fixed and variable pay (including incentive payments) for its employees and Board of Management. Remuneration is set locally in response to local market norms but is to align to general principles and standards set by the Company.

The Remuneration Policy establishes specific provisions to promote effective risk management for employees whose professional activities have a material impact on the risk profile, or have responsibility for Key Governance Functions.

A 'total reward' approach is applied, where fixed and variable pay elements form part of a balanced total remuneration package. Fixed pay is aligned to market competitive levels, to ensure it represents a sufficiently high proportion of the total.

B.1.5 Performance Criteria

Incentive plans encourage performance in line with the business strategy and within the Company's risk appetite, and take into account material risk factors and the Company's ability to maintain an adequate capital base.

Incentive plan performance measures:

- reflect the Company's priority to create shareholder value through sustained growth and profitability, based on its risk profile. Measures can include for example, underwriting, profit, capital, strategic and shareholder value measures.
- are measured on an 'underlying' basis where appropriate, to provide an undistorted view of business performance and avoid the creation of adverse incentives.

Individual performance assessments are based on consideration of what is delivered, but also how goals are achieved, and take account of financial and non-financial criteria.

The performance criteria used in executive incentive plans are set out in the Remuneration Report (on pages 36 to 37 of the 2016 Annual Report).

For jobholders whose professional activities have a material impact on the Company's risk profile, a number of mechanisms are included to ensure remuneration does not encourage excessive risk taking:

- Total performance-related variable remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall result of the Company.
- Incentive plans have stretching yet achievable targets, taking account of the Company's Operational Plan which is set with reference to the risk appetite with input from the Risk Function.
- Incentive award funding is subject to risk adjustment for exposure to current and future risks, taking into account the Company risk profile and cost of capital. An adjustment can take place prior to the payment of Annual Bonus awards, and prior to the vesting of long-term incentive award cycles.
- A portion of variable remuneration in line with legal requirements is subject to deferral to ensure it is aligned with longer-term risk management. The percentage that is deferred, the type of deferred award(s) and the length of the deferral period are determined by taking into account regulatory requirements, the level of the jobholder and the business context.

The Company has provisions to apply malus adjustment and clawback.

Variable remuneration arrangements for those responsible for Key Governance Functions are designed to be independent from the performance of the operational units and areas submitted to their control.

B.1.6 Supplementary Pensions / Early Retirement

As a principal rule the Company enters into pension schemes with their employees according to applicable collective agreements. The Company's pension schemes are primarily based on defined contribution schemes and not on defined benefits schemes. No supplementary pensions are operated for the members of the administrative, management or supervisory body and other Key Governance Function holders.

B.1.7 Shareholder / Board Transactions

Codan Forsikring A/S, owns 100% of the shares in the Company and thus holds a controlling interest in the Company.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors, the Board of Management, the shareholder or other related parties.

Key Management Transactions

Information regarding transactions that were carried out with the Board of Directors and the Board of Management can be found on pages 36 and 37 of the 2016 Annual Report.

Other Transactions

All administration of the Company has been outsourced to the parent company Codan Forsikring A/S.

The Company has entered into reinsurance agreements with the parent company Codan Forsikring A/S and the parent Royal & Sun Alliance Insurance plc. Additionally, in order to bring the retention down, reinsurance agreements have been made with the Codan Forsikring A/S for the following lines of businesses:

- Motor vehicle liability: DKK 21m excess of DKK 9m
- Personal Accident: DKK 82m excess of DKK 18m
- Fire and other damage to property: GBP 25m excess of DKK 18m per event

B.2 Fit and Proper Requirements

B.2.1 Specific Fit & Proper Requirements

The Company's Board of Directors has approved a Fit and Proper Policy. This policy applies to individuals who are effectively running and overseeing the business or are key governance function holders in addition to those performing a key governance function activity. This includes the Board of Directors, the Board of Management and members of Senior Executive Team as well as the heads of the Key Governance Functions.

The Board believes that it has the appropriate balance of skills, experience and knowledge to enable it and its committees to discharge their duties and responsibilities effectively. The Board considers the skills, experience, independence and knowledge already represented when making decisions on new appointments.

B.2.2 Assessment Process

Fit Requirements

The assessment on whether someone is fit must also include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and shall take into account the respective duties allocated to that person, and, where appropriate, the insurance, financial, accounting, actuarial, and management skills of the person.

This must include an assessment of the person's

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Proper Requirements

When assessing whether a person is 'proper', the Human Resources function or the Board of Directors will, within the legislation applicable, consider the following:

- Relevant criminal offences including any offence under the laws governing banking, financial, securities, and insurance activity
- Laws on money laundering, market manipulation, or insider dealing
- Criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection

B.3 Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Description of the Risk Management System

The Company has outsourced its entire operation to Codan Forsikring A/S. Therefore, the Company's management handles the Company's risks and controls through Codan Forsikring A/S' organisation. The following describes how the Risk Management System, Own Solvency and Risk Assessment ('ORSA') and Internal Control System of Codan Forsikring A/S is handled in Codan Forsikring A/S.

The Three Lines of Defence

The Company has a comprehensive risk management system which includes a full range of risk policies, procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis to ensure that the risk exposures that arise from operating the Company's businesses are managed appropriately.

The Risk Management System is underpinned by the Three Lines of Defence model. The Board of Directors are responsible for ensuring the effectiveness of the Company's risk management system; for setting the Company's overall risk strategy and risk appetite (including risk limits and tolerances); and for approving the main risk management strategies and policies.

Risk Appetite and Strategy

The Board is responsible for setting the business strategy which is used to inform the risk strategy statement. The risk strategy statement, which is prepared by Enterprise Risk Management and approved by the Board, describes the Company's overall strategy and objectives for managing risks based on a set of key principles.

The Risk Appetite is set annually by the Board. It establishes the appetite for risk by risk category plus high level risk limits and tolerances, and drills down into more detailed risk statements. These are expressed through associated Key Risk Indicators with associated risk limits and risk tolerances.

Risk Management Cycle

The risk management cycle describes the process used to set, identify, measure, manage, monitor and report on risk impacting each business.

Risk Identification (New and Emerging Risk)

Risks are identified through a range of activities that include policy and control design; stakeholder scenario workshops (attended by internal and external subject matter experts); risk mapping, and an analysis of risk incidents including a root cause analysis. The identified risks, including emerging risks, are recorded in the business function's risk profile matrix which records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite or if not, whether there is an appropriate action plan.

Risk Measurement

Once risks have been identified the business must update its risk profile by including the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective) on a standard 5x5 probability and impact matrix.

Significant risks are periodically reviewed for potential inclusion in the Internal Model, which is the primary tool for measuring risk.

Managing, Monitoring and Reporting Risk

All residual risks are assessed and monitored to determine if the risk is within Risk Appetite, and if not whether there is a plan with an owner to bring within appetite within a reasonable timeframe.

Action owners must track all action plans to ensure risk is brought within appetite within planned timeframe and report progress at least quarterly.

Outputs of the internal model are used by the Board as an integral part of its decision making on matters from setting the risk appetite and adjusting investment exposure and hedges to reinsurance strategy, insurance portfolio risk assessment, or key strategic decisions such as disposals.

B.3.2 Implementation and Integration

The Company has implemented a system of governance through which risk management and control is embedded. Each business within the Company is required to follow a consistent process to identify, measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

The application of the three lines of defence and its interaction with the Internal Control System is shown in the figure in section B.1.2.

B.3.2.1 Internal Model Governance & Assurance

In December 2015, the RSA Group received approval to use the RSA Group Internal Model to calculate the Solvency Capital Requirement ('SCR') and including some of its subsidiaries including the Company.

As well as being used to calculate the SCR, the model is also used to allocate capital to individual lines of business and to help assess reinsurance purchase and evaluate the impact of e.g. investment strategic decisions.

The model has a common governance and assurance framework which oversees how the model is run, updated and results reported.

The structure of the Governance Framework is shown in the following table:

Responsibility	Body / Function	Activity
Held accountable but delegates Internal Model oversight responsibility to the Internal Model Governance Committee (‘IMGC’)	Board	Monitors IMGC activity and receives sufficient information to oversee the model and understand the output
Ensures model oversight is of appropriate design, operation, risk coverage and compliance	Board	Reviews and challenges Internal Model Governance Committee activity, including regular reporting of internal model changes, results of model runs and associated sensitivities, as well as monitors the ongoing appropriateness of the internal model through receiving the Internal Model Validation Report
Ensures operation within regulatory requirements and co-ordinates internal and regulatory economic capital processes	IMGC	Receives and challenges results of the internal model runs, identifies the need for and assesses changes to the internal model including updates to calibrations and structure. Reviews validation findings and undertakes programme of model improvement including enhancing uses of the model
Undertakes programme of independent validation and reports results to Board (with debate at IMGC)	Risk Function (Assurance Provider)	Performs, validation activity, identifies and monitors observations including closure. Reviews and challenges the outputs of the model including estimated capital positions and forecasts

The Internal Model Governance Committee is responsible for providing overall direction and drive for the governance of the internal model in addition to acting as the co-ordinating body for the internal and regulatory economic capital process. It regularly provides updates to the Board.

The IMGC ensures that the Company’s Internal Model Change Policy is adhered to and remains compliant with regulation; that data quality and assurance processes are in place; and that independent model validation is performed.

B.3.2.2 Internal Model Governance Changes in the Year

None.

B.3.2.3 Internal Model Validation

The Solvency II Directive (Article 124) requires firms to establish independent validation processes to ensure that the Internal Model is properly designed, developed, tested, documented, implemented and used appropriately.

Validation is seen as a regular process, the primary goal of which is to provide the Board with assurance that:

- The internal model is fit for purpose
- The internal model achieves its objectives as defined by the business

Validation assesses the key assumptions and outputs of the model and involves a number of tools and activities such as Stress and Scenario Testing, P&L Attribution and Use Test validation.

Each year, the Validation team reports the results of the internal model validation undertaken to the Board and outlines recommended actions and timescales for remediation to occur.

B.3.3 ORSA Process

During the year, the Board considers a range of activities carried out at different times as part of the ORSA process.

The assessment of risk and solvency needs is in principle carried out continuously and consists in practice of a series of inter-related activities whereby the process establishes:

- current and future risks to which the regulated entity is exposed,
- the level of capital required to support those risks,
- the quality of capital available, and
- actions the regulated entity will take to achieve and maintain the desired levels of risk and capital.

If deemed necessary, the activities that form part of an annual cycle, are supplemented by ad hoc assessments of the impact of external events, emerging trends, significant risk events, and breaches.

B.3.4 ORSA Review and Approval

Reporting dealing with individual elements of the ORSA are presented to Senior Executive Team and the Board throughout the year.

A final report is presented to the Senior Executive Team and Board and actions and associated decisions deriving from the Board's risk and solvency assessment, are tracked and traced as part of the annual ORSA process, demonstrating that these have been dealt with in a coherent and consistent manner. Furthermore, the findings stemming from the ORSA report form part of the challenge of the Company's Operational Plan.

B.3.5 Solvency Needs & Risk Management System / Capital Management

As part of the ORSA process, the Company looks at the capital it needs using various bases including:

- SCR
- Board approved capital thresholds

Using these measures, the Company is then able to assess in aggregate its own solvency needs and corresponding capital available. The Internal Model is used for the calculation of the SCR and is calibrated based upon the risk exposures of the Company.

In addition, when setting the risk appetite, various levels of buffer to cover potential operating shocks are allowed for. Finally as part of the Operational Plan and ORSA processes, the capital position of the Company is projected over the period of the Operational Plan to ensure that the Company will have sufficient capital to meets its needs.

B.4 Internal Control System

B.4.1 Description of the Internal Control System

The Company has put in place an effective internal control system which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Company, a delegated authority framework, and a regulatory compliance framework. The internal control system is underpinned by the Three Lines of Defence model.

The internal control system comprises three key elements:

- Internal control framework, whereby policies establish standard controls, which are implemented and operated by the business; supplemented by objective 1st Line validation and independent 2nd Line assurance processes. The internal control framework includes financial controllership. It is subject to assurance through the Financial Control Framework ('FCF'). It specifies control reporting.
- Delegated authority framework, whereby authority is cascaded down from the Board to the business.
- Regulatory compliance framework sets out the standard control processes to minimise and/or prevent the risk of material loss, reputational damage or liability arising from the failure to comply with regulatory requirements. Ultimate responsibility for compliance with the relevant rules and regulations rests with the Board, the executive and the senior management in each business. Advice, challenge, and interpretation is provided to these bodies by the Regulatory Risk and Compliance function.

Internal Control Framework

The internal control framework is designed to identify and mitigate, the potential risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material financial misstatement or loss. Company policies cover all material risk types to which the Company is exposed and set out both minimum requirements and standard control sets for business activities, including delegated activities, which allows the Company to achieve its objectives including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Policies also establish control validation activities (1st Line checks) which ensure controls are designed and operating effectively and assurance activities (2nd Line) which examine and oversee business control validation activities to provide additional independent comfort that objectives are being achieved and adequate controls are in place and working effectively.

Adherence to the control sets and the progress and findings of assurance and validation activity are reviewed by Country Control Committees, which have been established with similar terms of reference in all regions. Key issues identified in the control committee meetings are escalated to the Board. Relevant trends and risks will also be notified to the Board, as appropriate.

Delegated Authority Framework

The Delegated Authority Framework specifies how executive authority is delegated from the Board to the Chief Executive Officer, and onwards to senior management within the Company on a yearly basis. The Chief Executive Officer and senior executives across the Company receive an executive licence setting out their specific limits of authority in terms of entering into financial, underwriting, claims and other business commitments. Each executive is responsible for ensuring a similar process of delegation is in place within his or her area of responsibility.

Effective management of Delegated Authority enables the business to:

- Ensure that all employees execute their responsibilities within a clearly defined set of limits and subject to specified terms and conditions appropriate to their role, competence, experience and technical capability so as to mitigate the risk of the Company being exposed/committed to material financial, operational, legal, reputational and/or regulatory risk and/or loss

- Ensure consistency is applied over separate policies that have been written covering operational and technical matters
- Ensure that the risks associated with managing and delegating authorities are mitigated through the use of appropriate preventative and detective controls and remain within Risk Appetite, and
- Ensure compliance with relevant regulatory and statutory requirements.

The Delegated Authority Framework is applied where individuals must operate and/or authorise within limits delegated by the Chief Executive Officer, his direct reports and / or governing bodies.

Regulatory Compliance Framework

The Regulatory Compliance Framework is a set of governing documents that implement the regulatory requirements. The framework consists of Policies adopted by the Board, Instructions adopted by the Chief Executive Officer and Standard Operating Procedures adopted by the Senior Executive Team members in accordance with the governance structure.

B.4.2. Compliance Function

The legal requirements and the Compliance Policy requires the Company to have a Compliance Function.

The purpose of the Compliance Function is to ensure that the Company meets the relevant regulatory requirements. It uses a range of tools to do this which are developed in co-operation with the RSA Group. The Compliance Function is an influencer in ensuring strong regulatory compliance culture and ensure that mechanisms are in place to identify, report and resolve issues to avoid or minimise business impact.

The Compliance Function is responsible for developing and maintaining the relationship between the Danish FSA and the Company.

The Compliance Function establishes, implements and maintains an Annual Compliance Plan setting out the compliance work to be undertaken in the upcoming year. Updates on progress and material changes are provided on a quarterly basis to the Board. Furthermore, the Compliance Function has the possibility of reporting regulatory incidents or matters of significance to the Board directly.

B.5 Internal Audit Function

B.5.1 Implementation

The Internal Audit Function is an independent and objective function reporting to the Board of Directors. The Chief Auditor has a primary reporting to the Chairman of the Board, with a secondary line to the Company's Chief Executive Officer. Furthermore, the Chief Auditor is approved by the Danish FSA and complies with the resulting requirements of professional conduct and competence.

The Internal Audit Function does this by assessing whether all significant risks are identified and appropriately reported by management and the second line of defence to the Board and Senior Executive Team; assessing whether they are adequately controlled; and by challenging management to improve the effectiveness of governance, risk management and internal controls.

The Chief Auditor has the right to attend all committee meetings in the Company and obtain access to any material related to these.

At least once a year, the Chief Auditor meets with the members of the Board without management being present. The Chief Auditor has direct access to the Chairman of the Board.

The Internal Audit Function's scope of activities is unrestricted and its audit universe extends to all legal entities, joint-ventures and other business partnerships, outsourcing and reinsurance arrangements. Its scope includes first line control validation, second line control assurance and the system of governance as set out under Solvency II.

On a semi-annual basis the Chief Auditor submits a six monthly rolling risk based audit plan (i.e. detailed plan for the upcoming six months, together with an outlook for the subsequent six months), including emerging and systemic risks to the Board for review and approval. The six monthly rolling audit plan is developed based on the Internal Audit Function's independent risk assessment and a prioritisation of the audit universe, considering inputs from the Senior Executive Team, the Board of Management, and the Board of Directors.

The Internal Audit Function's coverage of the business is be based on the principles of a three year rolling coverage in which it aims to cover all inherent high risks twice and all inherent medium risks once. Any high or medium risk areas not covered within the three year time period shall be made transparent to the Board. When necessary, the Internal Audit Function may conduct audit engagements, which are not included in the audit plan and these may be carried out without notice.

B.5.2 Independence and Objectivity

The Internal Audit Function is independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal Auditors have no operational responsibility or authority over any business activities, day-to-day risk management or control activities. Audit activity remains free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mind-set.

Internal auditors are expected to remain independent and objective in all assignments and do nothing that might prejudice or be perceived as prejudicing independence and objectivity. Impairments to independence and objectivity may include, but are not limited to:

- auditing business areas for which an individual previously worked or was previously responsible (auditors must refrain for a period of at least 12 months); and
- auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member).

The Chief Auditor reports, at least annually, to the Board on the independence of the Internal Audit Function and its staff. This is supported by a formal assessment of independence and objectivity for long serving staff, together with an independence self-certification.

B.6 Actuarial function

The Actuarial Function provides assurance that the actuarial information to set technical provisions for Danish GAAP for the Company and IFRS for RSA Group purposes uses appropriate methods, models, and assumptions. It also confirms the adequacy of the Solvency II technical provisions and informs areas where experience is different and how this has influenced methods, models and assumptions. The Actuarial Function undertakes the duties and responsibilities set out for an Actuarial Function in accordance with Solvency II.

The Actuarial Function holder has independent access to the Audit & Risk Committee. On an annual basis the Actuarial Function produces the Actuarial Function Report summarising the key conclusions of the Actuarial Function's work. This is presented to both the Audit & Risk Committee and the Reserving Committee.

B.7 Outsourcing

B.7.1 Policy and Key Activities

The Company is using a structured process when entering into outsourcing arrangements and managing outsourcing providers.

Outsourcing is regulated with two main documents; the Outsourcing Policy approved by the Board of Directors and owned by the General Counsel and the Outsourcing Instruction owned by the Chief Executive Officer and managed by the General Counsel.

The Board approved Outsourcing Policy includes requirements regarding:

- Decision authority and requirements for the Board to approve before entering into outsourcing of material areas of activity according to the applicable regulation from the Danish FSA;
- Requirements for decision basis including due diligence when choosing the service provider;
- Contractual requirements to all outsourcing agreements;
- Control requirements;
- Notification and filing requirements including notification of the Danish FSA; and
- Reporting requirements including on-going reporting to the Board of the service providers' performance and follow-up in case of unsatisfactory performance, including reporting to the Board.

The Outsourcing Standard Operating Procedures regulates how the assessment and control of external outsourcing partners must be executed.

An Outsourcing Committee has been established with the purpose of providing a forum to share best practices and knowledge between General Counsel, Enterprise Risk Management, Compliance, and Supply Chain functions and other relevant functions as the case may be, ensuring that regulatory requirements are coordinated in relation to outsourcing contracts. Furthermore, the Outsourcing Committee facilitates consistent view on outsourcing and regulatory requirements, provides a forum for identification of outsourcing issues, qualification of outsourcing contracts in relation to applicable regulations and policies and supports governance procedures in relation to outsourcing are complied with.

The Board is ultimately responsible for all outsourcing, however the General Counsel has an overall first line ownership of the outsourcing regime within the Company and the Legal function has the coordinative role for external outsourcing contracts and manage intra-group related outsourcing. Management of outsourcing relationship with external suppliers primarily lies with Supply Chain.

B.8 Any other Information

B.8.1 Adequacy of System of Governance

The adequacy of the system of governance is formally considered by the Board of Directors annually. This process considers both changes and recommendations previously made during the year (such as through internal audit reports) and any recommendations by the Legal and Compliance function based on their observations or regulatory change. If deemed necessary, changes can also occur outside of this formal review.

B.8.2 Any other Material Information

Nothing to report.

C. Risk Profile

The previous section of the report (B. System of Governance) included information on the Company's risk management system (see section B.3). This section of the report provides more detail on the risks faced, including how the Company measures and mitigates against them. The Company is exposed to the following main categories of risk:

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

The categories are described in sections C.1 to C.5 respectively. Insurance risk includes claims risk and reserving risk and these are all described under the prescribed heading 'C.1 Underwriting risk'.

Section C.7 brings together information on the Company's stress and scenario testing across all categories of risk.

For quantification of the relative importance of each risk type to the Company, see section E.2.2.

C.1 Underwriting Risk

The Company has outsourced its entire operation to Codan Forsikring A/S. Therefore, the Company's management handles the Company's risks and controls through Codan Forsikring A/S' organisation.

C.1.1 Introduction

Underwriting, Claims and Reinsurance Risks

The Company manages these risks through its underwriting strategy, reinsurance arrangements and proactive claims handling.

The Risk Appetite Statement sets the high level appetite for Insurance Risk. Additionally, the Company has a centrally managed forum to examine underwriting and claims issues, review and agree underwriting direction and set policy, frameworks and directives where appropriate.

The underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The underwriting Risk Appetite Statements set the context within which individual portfolio strategy statements are developed, setting the appetite for the writing of individual risks.

Specific to the Risk Appetite, the Underwriting and Claims Policies define the controls implemented to manage the Company limited appetite for:

- 'Special High Risks' including long term policies and lines of business where the Company lacks appropriate specialist expertise and reinsurance support
- Writing business in 'High Risk Countries' designated due to sanctions or presenting an unacceptable level of operational risk

Reserve Risk

The Company establishes technical provisions for claims to account for the anticipated ultimate cost of all claims and relevant expenses for claims that have already occurred. The Company establishes technical provisions for both reported and unreported claims. Technical provisions estimates are based on known facts and on interpretation of circumstances including the Company's experience with similar cases and historical claims payment trends. The Company also considers the development of claims payment trends, levels of unpaid claims, judicial decisions and economic conditions.

C.1.2 Measures Used to Assess Risk

Underwriting and Claims Risk

The Company's underwriting strategy and risk appetite are reviewed, challenged and approved by the Board of Directors annually.

Key risk indicators assess risk against the Board risk appetite and these are reported at the quarterly Risk and Control Committees. Underwriting risk indicators include measures for exposure control, pricing, the control environment and licences.

Portfolio strategy is reviewed quarterly under the Portfolio Risk Management process (Insurance Risk Portfolio Classification – 'IRPC'). This enables ongoing, proactive management of the implementation of portfolio strategies together with facilitation of forward looking portfolio risk assessments against measured key risk indicators. Risks and issues are escalated to Chief Executive Officer and the Board.

Claims fall within the scope of IRPC, but claims risks are also monitored separately to facilitate management within appetite. The scope of claims risk indicators covers financial control, technical quality, case reserving, fraud, and control of delegated authorities.

Scenario and Stress Testing and Risk Profiling are undertaken and are reported through the Risk and Control Committees and to the Board.

Accumulations for static exposures are modelled using the GAIA Exposure Data Management system to identify 'Per Risk' and Catastrophe risk concentrations and to inform scenario modelling and reinsurance purchase. The Exposure Management Working Group has formal oversight and reporting of the standards for data quality and the minimum requirements for identifying and controlling 'Per Risk' and Catastrophe risk concentrations.

The effectiveness of pricing tools and process is measured through the Pricing Capability Assessment Questionnaire ('PCAQ') to benchmark the capability against defined measures. The PCAQ defined measures include an assessment of the pricing components, i.e. use of historical claims frequencies and severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns and allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of capital.

Underwriting and Claims Validation Reviews are held periodically to test the effectiveness of the processes and controls in the risk management frameworks. Gaps in compliance with the controls require either a Remediation Plan or a Risk Acceptance against the respective control(s) under the Risk Policy Management process. Underwriting and Claims monitor the progress of Remediation Plans and is the approver for Risk Acceptances. These are reported to the Risk and Control Committee, with overdue items escalated to the Senior Claims Underwriting and Reinsurance Management forum.

Breaches of controls are escalated and reported, with material Risk Events escalated to Risk Management.

Reserve Risk

The Company has a Reserving Committee chaired by the Chief Financial Officer and consisting of the Chief Executive Officer, the Underwriting Director, the Chief Actuary and the Chief Risk Officer.

In forming its collective judgement, the Committee considers the following information:

- An actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications. At the end of 2016 these risks and developments include: the possibility of future legislative change having retrospective effect on open claims; changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from business written several years ago; general uncertainty in the claims environment; the emergence of latent exposures; the outcome of litigation on claims received; failure to recover reinsurance and unanticipated changes in claims inflation;
- The views of internal peer reviewers of the reserves and of other parties including actuaries, risk management, underwriters and claims managers; and
- How previous actuarial indications have developed.

C.1.3 Material Risks

Material risks identified during the reporting period include:

- Catastrophe risk: covers the risk that a single event or series of events of major magnitude usually over a short period, leads to a significant increase in actual claims compared to total expected claims. Losses can arise from either natural perils, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example industrial accident;
- Pricing risk: the risk that portfolio pricing strategies, monitoring and rating are insufficient to generate sufficient returns in key portfolios to maintain profitability and pay claims;
- Reserving risk: the risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development. The risk that more claims are reported in future than anticipated. The risk that legislative changes have a retrospective effect on claim settlements;
- Underwriting risk selection: covers the risk that claims arising on exposures after the valuation date are higher (or lower) than assumed in the pricing other than due to catastrophes. This can arise as the result of bad experience, third party interventions, ineffective portfolio management, poor pricing, poor risk selection or failure to underwrite effectively, or failure to handle claims effectively due to management information or process deficiencies (claims leakage); and
- Claims management risk: financial losses through ineffective claims management processes.

There have been no material changes to the risks identified above through the reporting period.

C.1.4 Application of the Prudent Person Principle

Not applicable for underwriting risk.

C.1.5 Material Risk Concentrations

Material risk concentrations are identified through a robust process and the Company's two natural catastrophe zones are Northern Europe windstorm and Danish cloudbursts.

C.1.6 Risk Mitigation

Underwriting and Claims Risk

The Company operates a comprehensive risk management system and policy management framework. This system includes policies which govern key activities such as Underwriting, Claims, Reinsurance and the assessment of insurance risks. The policies introduce a system of mandatory controls frameworks which stipulate a system of minimum requirements and standard controls, and key risk indicators which are used to measure the effectiveness of these controls in mitigating risk. Each quarter, management are required to report on the operation and effectiveness of these controls to governance committees. Key risks are escalated to the Chief Executive Officer and ultimately to the Board. Controls which are not considered effective are subject to remedial action and risk oversight.

The Underwriting and Claims governance and control framework spans a number of key activities, including (but not limited to):

- The delegation of technical authority (internal and external) including licensing and referrals;
- Portfolio strategy, performance and risk management;
- Pricing;
- Accumulation and exposure management;
- Multi-national risks;
- Risk control / inspection;
- Underwriting and claims file review / validation;
- Claims management processes; and
- Case reserving.

The management and mitigation of credit risk for reinsurance are described in section C.3.6 Risk Mitigation.

Reinsurance is a key tool used to mitigate the effect of catastrophe and underwriting risks. Being a part of a group, most of the Company's reinsurance is placed through the RSA Group via Codan Forsikring A/S. Reinsurance arrangements in place include facultative and treaty covers. The Company's treaty reinsurance is largely excess of loss in nature but also includes a small number of proportional covers. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses beyond the Company's risk appetite in any one year.

The Company is exposed to both multiple insured losses and losses arising out of a single occurrence, for example natural peril events such as a hurricane, flood or cloudburst.

All catastrophe reinsurance is placed with reinsurers with a Standard & Poor's credit rating of 'A-' or better.

C.1.7 Risk Sensitivity

See section C.7 for information on Stress and Scenario Testing for all categories of material risk.

C.2 Market Risk

The Company has outsourced its investment management to Codan Forsikring A/S.

C.2.1 Introduction

The Company is exposed to market risk, which is the risk of potential losses from adverse movements in market prices including those of bonds, equities, property and exchange rates as well as credit rating downgrade risk, credit spread risk, credit default risk, and asset-liability matching risk.

C.2.2 Measures Used to Assess Risk

The Company assesses its market risk exposures through a number of factors including: exposure by asset class; credit rating of counterparties; asset liability mismatch due to divergence in duration and currency exposures; and concentration exposures. In addition stress and scenario analysis is undertaken to assess market risk exposures.

Exposures are controlled by the setting of investment limits and managing asset-liability matching in line with the Company's risk appetite.

The Board is responsible for reviewing and approving the investment strategy for the investment portfolios. It provides approval for all major changes of the investment strategy. In particular any substantive changes to the balance of the funds between asset classes. In addition, asset liability matching both by currency and duration is monitored and reported to the Investment Committee. This includes limits on asset class exposures, single counterparty exposures, aggregate bonds by credit rating, portfolio duration etc. These limits aim to keep exposures within the Company's risk appetite whilst ensuring the portfolio is sufficiently diversified. Investment exposures relative to these limits are regularly monitored and reported.

There have been no material changes in exposure over the reporting period.

C.2.3 Material Risks

The Company is exposed to the following material market risks:

Interest Rate Risk

The fair value of the Company's portfolio of fixed income securities is inversely correlated to changes in market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.

In assessing this risk, the Company will have reference to the interest rate exposures of its liabilities with risk being the difference between asset and liability exposures.

Equity Price Risk

The Company's portfolio of equity securities is subject to equity risk arising from changes in market price. Thus if the value of equities rise, so will the fair value of its portfolio and vice versa.

Currency Risk

The Company does not have material foreign currency exposure. There have been no material changes in the material market risks throughout the reporting period.

C.2.4 Application of the Prudent Person Principle

The Company applies a Market Risk Policy and a Liquidity Risk Policy that set out the minimum requirements for the identification, measurement, monitoring and reporting of Market and Liquidity Risk for the Company's investment portfolio. A set of key risk indicators in the form of an Investment Limits framework has been developed alongside the policy – the policy refers to this for investment risk management and reporting purposes.

In particular, the Prudent Person Principle requires each operation and the Company to exercise prudence in relation to the investment portfolio and to ensure assets are appropriate to the nature and duration of its liabilities (assets and liabilities management – 'ALM'). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The PPP also requires a duty of care that must be applied for investments that are of non-routine nature, or that are not admitted to trading on a regulated financial market or to complex products such as derivatives or securitised instruments. The Company follows a high quality, low risk investment strategy with limited exposure to higher volatility investment classes such as equities, or to balance sheet foreign exchange volatility. Asset and liability duration is broadly matched, with limited flexibility for tactical asset management.

The Company's portfolio focus is on high quality bonds and cash, with measured holdings in equities and property. At 31 December 2016, the Company held over 98% of its investment assets in cash, cash instruments, government bonds and 'AAA' rated non-government bonds, minimising any liquidity risk and enabling funds to be transferred when required. The credit rating of the bond portfolio of the Company is predominantly investment grade with 100% of bonds held rated 'A' or higher at 31 December 2016.

C.2.5 Material Risk Concentrations

The Company's investment portfolio consists predominantly of high quality, investment grade, fixed income assets reflecting the duration of its underlying insurance liabilities.

C.2.6 Risk Mitigation

The Company maintains a low risk, high quality portfolio with exposure concentrated in bonds and cash and only limited exposure to equity and property. Credit risk exposure is mitigated by the high quality nature of the portfolio with 100% investment grade and more than 99% of fixed interest and cash rated 'AA' or above. Counterparty concentration risk is limited through limits placed on single counterparties reflecting a number of criteria including the counterparties' credit rating, industry and geography. The Company ensures that it maintains sufficient liquidity for its needs by having a minimum exposure to highly liquid assets such as cash, bonds rated 'AAA' and government and government guaranteed bonds.

Interest rate risk is limited through the Company maintaining a strong match of its bond asset duration relative to its liabilities. The Company maintains a limit of its asset duration being within one year relative to the duration of its liabilities. Exposures are monitored by the Company's Investment Committee and by RSA Group Risk, Investments & Treasury Committee (GRIT) on a monthly basis and reported to the RSA Group Asset Management Committee (GAMC).

See Section B.3 for a description of how the Company manages and monitors market risk.

C.2.7 Risk Sensitivity

See section C.7 for information on Stress and Scenario Testing for all categories of material risk.

C.3 Credit Risk

C.3.1 Introduction

Credit risk is defined as the risk of loss resulting from a counterparty failing to fulfil its contractual obligations to the company or failing to do so in a timely manner. The Company is exposed to credit risk in respect of its reinsurance contracts; insurance operations (where counterparties include brokers, policy holders and suppliers); and investments (where counterparties include governments and corporate bond issuers).

C.3.2 Measures Used to Assess Risk

Credit risk arises any time Company funds are extended, committed, invested or otherwise exposed through actual and / or implied contractual agreements with counterparties whether reflected on or off balance sheet.

The Board is responsible for ensuring that the approved credit risk appetite is not exceeded. This is done through the setting and imposition of company policies, procedures and limits.

In defining its appetite for counterparty credit risk the company looks at exposures at both an aggregate and business unit level distinguishing between credit risks incurred as a result of offsetting insurance risks or operating in the insurance market (e.g. reinsurance credit risks and risks to receiving premiums due from policyholders and intermediaries) and credit risks incurred for the purposes of generating a return (e.g. invested assets credit risk).

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Company's overall credit profile and specific concentrations are managed and controlled within risk appetite.

Financial assets are graded according to company standards. 'AAA' is the highest possible rating. Investment grade financial assets are classified within the range of 'AAA' to 'BBB' ratings. For invested assets, restrictions are placed on each of the Company's investment managers as to the level of exposure to various rating categories including unrated securities.

Local operations are responsible for assessing and monitoring the creditworthiness of their counterparties (e.g. policyholders, brokers, and third party suppliers). Reinsurer counterparty credit risk is set by the Reinsurance function.

C.3.3 Material Risks

The Company is mainly exposed to the following types of credit risk:

- Counterparty risk: defined to be the risk that a counterparty fails to fulfil its contractual obligations and / or fails to do so in a timely manner. This includes all types of counterparties such as agents, brokers, reinsurers and other third parties.
- Credit concentration risk: defined to be an uneven distribution of exposure to counterparties, single-name or related entity credit concentration, and / or in industry and / or services sectors and / or geographical regions.
- Credit downgrade risk: defined to be the loss or gain from a change in an investment's credit rating agency rating and / or an analyst buy, sell, hold opinion.
- Credit spread risk: defined as the spread in returns between government securities and / or any non-government security that are identical in all respects except for the quality of the credit rating of the security's counterparty.

The business is required to establish appropriate processes in order to identify its outstanding debt and the aging of that debt.

The business is required to implement processes and procedures in order to collect its outstanding debt in a manner that is consistent with the credit terms provided.

In cases where collection is delayed or is not possible, each business is required to record a provision or write off of the debt.

Within the Company, the management of credit risk is divided into three key areas, which are governed by separate policies:

- Reinsurance
- Investments
- Insurance operations

C.3.3.1 Reinsurance Credit Risk Management

Reinsurance credit risk is defined as the credit risk arising from the purchase of all treaty reinsurance and facultative reinsurance by underwriters in accordance with their licences.

C.3.3.2 Invested Assets Credit Risk, Credit downgrade and Credit Spread Risk

Invested assets credit risk is defined as the non-performance of contractual payment obligations on invested assets, and adverse changes in credit worthiness of invested assets including exposures to issuers or counterparties for bonds, equities, deposits and derivatives etc. Invested asset credit risk arises in all investment portfolios throughout the Company. Credit downgrade is defined to be the loss or gain from a change in an investment's credit rating agency’s rating and / or an analyst's buy, sell, hold opinion. Spread risk is defined as the risk that arise from negative movement in price in a sector relative to the market resulting for example from the changes in the markets perceived view of the industry sector.

C.3.3.3 Credit Risk arising from Insurance Operations

Insurance operations credit risk is defined as credit risk arising from carrying out daily insurance business operations. This includes loss of principal or financial reward resulting from a counterparty’s failure to pay or fulfil all or part of its contractual obligations. For example, if the Company trades with an insolvent broker there is a risk that the Company will not receive all the premiums due from that broker.

Subrogated recoveries, which are derived from legal and claims department activities and are an insurance risk mitigation, are covered under the Insurance Risk Policy.

C.3.4 Application of the Prudent Person Principle

See Section C.2.4 for the application of the prudent person principle to credit risk arising from investments. The prudent person principle is not applicable to credit risk in relation to reinsurance and insurance operations.

C.3.5 Material Risk Concentrations

Material risk concentrations are detailed below:

The Company is exposed to the following types of risk concentrations:

- Reinsurance counterparties
- Investment counterparties
- Off Balance Sheet Guarantees

C.3.5.1 Reinsurance Counterparties

The Reinsurance Committee oversees the management of credit risk arising from the reinsurer failing to settle its liability to the Company. Company standards are set such that reinsurers that have a financial strength rating of less than 'A-' with Standard & Poor's, or a comparable rating, are removed from the Company's authorised list of approved reinsurers unless the Company's internal review discovers exceptional circumstances in favour of the reinsurer. Collateral is taken, where appropriate, to mitigate exposures to acceptable levels.

The Company's use of reinsurance is sufficiently diversified that it is not concentrated on a single reinsurer, or any single reinsurance contract. The Company regularly monitors its aggregate exposures by reinsurer group against predetermined limits, in accordance with the methodology agreed by the Board.

C.3.5.2. Investment Credit Risk

For material investment risks, see section C.2.5.

C.3.5.3 Off Balance Sheet Guarantees

The Company has no reinsurance related exposure to certain off balance sheet guarantees issued under secured Letter of Credit facilities. The Company does not consider there to be any material risk concentration.

C.3.6 Risk Mitigation

The Company employs the following mitigating techniques and monitoring procedures in order to manage the different types of credit risk:

A. Reinsurance Credit Risk Management

Mitigation techniques

- Reinsurance Committee – The Committee is responsible for the oversight of the Company's reinsurance counterparty credit risk
- Approved Reinsurance Counterparties – the Board approves reinsurance counterparties based on the recommendation from the Reinsurance function which is supported by the RSA Group reinsurance process to assess and approve all reinsurance counterparties
- Approved Reinsurance Counterparties meet corporate standards – due diligence is performed, Company monitors and maintains the approved reinsurance counterparties lists as part of an ongoing risk assessment of reinsurance counterparties. Where a reinsurance counterparty credit risk metric is approached or breached, risk response actions must be effected and reported to the Reinsurance Committee
- Appropriate Metrics – the Company has established metrics which are appropriate for quantifying reinsurance counterparty credit risk
- Contract initiation – before entering into an outward reinsurance contract a business must ensure and document that it has followed all the requirements of the Reinsurance Policy, this policy and the requirements of the Company's Provisioning Policy and reinsurer watch-list requirements
- Risk mitigation techniques – where risk mitigation techniques, such as the acceptance of collateral, are used they shall be well understood by appropriate processes and procedures must be established

B. Investment Credit Risk Management

Mitigation techniques

- The Company maintains a low risk, high quality portfolio with exposure concentrated in bonds and cash and only limited exposure to equity and property.
- Credit risk exposure is mitigated by the high quality nature of the portfolio with more than 98% in securities rated 'AA' and above and less than 2% in sub investment grade. Limits are placed over the maximum aggregate exposure by credit ratings to ensure that the high quality nature of investments is maintained.
- Single counterparty credit risk is mitigated through having minimum exposures limits to government bonds as well as having maximum exposure limits to individual counterparties that reflect a number of criteria including counterparties' credit rating and industry.

Monitoring Process

- The Company reviews the investment exposure against limits delegated by the Board and report these to the Investment Committee and to the RSA Group on an ongoing basis. Separately, external fund managers monitor the investment exposures against limits stipulated within their investment management agreements. These limits are consistent with limits delegated by the Board.

C.3.7 Risk Sensitivity

See section C.7 for information on Stress and Scenario Testing for all categories of material risk.

C.4 Liquidity Risk

C.4.1 Introduction

Liquidity risk refers to the risk of loss to the Company as a result of assets not being available in a form that can immediately be converted into cash or the securing of such assets at excessive cost (whether through borrowing or overdraft arrangements for example), and therefore the consequence of not being able to pay its obligations when due.

C.4.2 Measures Used to Assess Risk

The Company breaks down liquidity risk into three subcategories:

- Funding liquidity risk: the risk that the business may be unable to liquidate assets, secure funding and / or contingency funding arrangements, and / or of excessive and / or prohibitive clauses in such funding and / or contingency funding arrangements, and / or the withdrawal and / or curtailment of funding facilities
- Foreign currency liquidity risk: the risk that actual and/or potential future outflows in a particular currency are unable to be met from likely available inflows in that currency or purchased in the foreign exchange market
- Intra-day liquidity risk: the risk that liquidity requirements increase during the course of a business day due to delays in settlement proceeds being received and / or problems in the workings of banking or other settlement systems

Suitable monitoring processes are in place to assess all of the above including:

- Creation and maintenance of short-term cash flow forecasts, including by non-functional currency
- Regular dialogue with the Company's operational bankers in each territory
- Use of liquidity key performance indicators to measure the proportion of assets that can be liquidated within a specified time period of 20 working days

C.4.3 Material Risks

The Company considers that there are currently no material liquidity risks.

There have been no material changes throughout the reporting period.

C.4.4 Application of the Prudent Person Principle

See section C.2.4 for information on the Prudent Person Principle.

C.4.5 Material Risk Concentrations

The Company maintains a strong and liquid portfolio of cash and investment assets which are monitored by type and duration in order to match the Company's liabilities.

C.4.6 Risk Mitigation

The Company minimises risk by operating a high quality, low risk investment strategy which matches a relatively short liability duration.

The Company adheres to a liquidity policy (of at least 85% of investment assets are to be held in cash, cash instruments, unencumbered 'AAA' rated bonds and appropriate domestic government bonds) that ensures that adequate liquid resources are maintained at all times such that liabilities can be met as they fall due.

In addition, the Company produces a range of cash flow forecasts from short-term operational plans to 3 year forecasts in conjunction with the Company's core planning processes.

C.4.7 Expected Profit in Future Premiums

The expected profits in future premiums ('EPIFP') has been calculated as the present value of future cash flows relating to premiums in respect of existing contracts that are expected to be received in the future. The EPIFP has been calculated for each homogeneous risk group. Loss-making policies have only been offset against profit-making policies within a homogeneous risk group. At the valuation date the EPIFP was DKK 90,532k.

C.4.8 Risk Sensitivity

See section C.7 for information on Stress and Scenario Testing for all categories of material risk.

The Company does not currently consider liquidity risk as a material risk. This decision is reviewed on a regular basis.

C.5 Operational Risk

C.5.1 Introduction

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are inherent in the Company operations, and are typical of all enterprises.

C.5.2 Measures Used to Assess Risk

Operational risk exists in almost every aspect of business within the Company, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives.

The Risk Management Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The Risk Management System sets out the Company's approach to minimizing and/or preventing the risk of material loss, reputational damage or liability arising from the failure to comply with risk requirements with a particular focus on operational risk.

In order to facilitate identification and control, the business breaks down operational risk into four sub-categories:

- Process risk: the risk of direct or indirect loss resulting from inadequate or failed internal processes
- Systems risk: the risk of direct or indirect loss resulting from inadequate or failed infrastructure of the organisation including network, hardware, software, communications and their interfaces
- People risk: the risk of direct or indirect loss resulting from the deliberate or unintentional actions of employees and/or management of the business or from their inaction
- External risk: the risk of direct or indirect loss resulting from events outside the business control or from events that impact on an external relationship.

The business functions, supported by the Risk Function, ensure that new risks are identified, which can include risks created by changes to the business strategy, and are appropriately reflected in their Risk Profiles and Risk Appetite scorecards.

A number of information sources should be used to support identification processes. These include

- control assessments supported by testing such as validation and assurance activities;
- key risk indicators supporting the risk appetite framework;
- material business changes, including transformational activity;
- emerging risk assessments; and
- external incidents and internal incidents, which are supported by root cause analyses where appropriate.

Once material risks have been identified the business function must update its risk profile by including the risk net of mitigation, i.e. the residual risk (the risk of an event occurring which would crystallise a loss assuming existing controls and other mitigating actions are effective), and recorded on a standardised Probability and Impact Matrix. The assessment of impact is made using both quantitative financial measures and qualitative reputational scales with consideration to potential impacts that could be incurred should the risk arise. Probability assessments run from Very High (more likely than not to happen) to Very Low (less than once in 200 years) and are made with reference to the probability of a scenario arising that would result in these impacts being incurred. Assessments are made by the 1st line risk owner supported (and challenged) by the Risk Function.

The business function assesses all residual risks to determine if the risk is within risk appetite, and if not whether there is a plan with an owner to bring the risk within appetite within a reasonable timeframe.

Risk profiles, risk appetite scorecards and where applicable action plans are reviewed and challenged by the risk function and the Chief Executive Officer and reported to the Board.

An annual sense check compares the operational risk capital scenario assessments to the operational risks included on the risk profiles to ensure consistency and completeness of the risks assessed and the assessments themselves.

C.5.3 Material Risks

The material risks that the Company is exposed to are as follows as reflected in the operational risk capital assessment:

Risk	Description
Programme Transformation Change	A major project critical to strategic business objectives is running behind schedule and/or incurring additional unbudgeted costs. Additional strain placed on business by key business as usual staff being enrolled on projects, resulting in work back logs, untimely turnaround/response times, staff stress, pressure from increased workloads.
Legal / Legislative Non-Compliance	The Company incorrectly interprets law or legislation and / or erroneously excludes crucial terms & conditions (from non-insurance policy contracts) leading to minor sanctions, negative reputational consequences and / or change in business practices/decisions. The Company fails to comply with changes in legislation, laws, supervisory directives, market directives, accounting practices, taxation requirements, or other requirements issued by relevant authorities within prescribed time. Receipt of bribes / inducements to secure business / opportunities, acting in a way considered anti-competitive.
Inappropriate Underwriting	Failure (of the Company or management) to exercise appropriate levels of oversight on sales practices being adopted by individuals or related entities authorised to represent the Company or distribute its products and services directly to the market.
Theft or Corruption of Data	An external party attacks the Company's computer/electronic system with the purpose of defrauding the firm, theft or corruption of data, destroying systems, etc. The Company loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.

Inaccurate or incomplete data entry / processing from EUCA	A failure to correctly input, manipulate data / systems or in the transaction process has resulted in a significant reserving, or other, error. Information communicated to reserving and claims teams is inaccurate, inadequate, poor quality or untimely, leading to inappropriate reserve projections and incorrect pricing decisions being made.
Regulatory Breach	Regulatory breaches or failures that cause detriment to customers, clients or significant trading partners. Inadequate sanctions systems, processes or failed sanction controls.
Business Interruption	A disaster event causing damage or disruption to business operations, assets, utilities and third parties, including natural disaster, war, riots, terrorism, explosion, vandalism, social unrest, fire, etc. Systems (software or hardware) failure resulting in staff being unable to use critical systems to work.
Third Party Management	A failure to manage, monitor and assess third parties, included outsourcing arrangements, can result in poor performance or service issues impacting the customer and resulting in error / breaches. In the worst cases this can lead to business interruption, regulatory or legislative fines, financial loss or reputational damage.

C.5.4 Application of the Prudent Person Principle

The prudent person principle is not applicable to operational risk.

C.5.5 Material Risk Concentrations

Whilst there are many inter-dependencies between operational risks there are no material risk concentrations.

C.5.6 Risk Mitigation

The operational risk management strategy is achieved through the following:

- the Risk Management Policy and supporting Business Control Policies
- the Operational Risk Process and Procedures
- the risk appetite and / or risk limits and tolerance levels

The effective operation of the controls, control validation and assurance outlined in the Risk Management Policy and other policies is important to mitigate the risk of override at all levels, including that of management. Policies are developed to provide a consistent set of controls so that risks remain within risk appetite.

The business manage risks on an ongoing basis in line with risk appetite. The business clearly documents the management and / or mitigation of the risk exposure through Risk Avoidance, Risk Reduction, Risk Transfer or Risk Acceptance. Where the risk exposure is judged to be unacceptable relative to risk appetite, actions must be taken to mitigate and / or manage the risk.

In managing and/or mitigating risk, the following four areas are considered.

- Risk Avoidance, defined as not engaging in the activity that gives rise to the risk exposure. This may include a change in the scope of activities that present the risk exposure
- Risk Reduction, defined as a reduction in the probability and / or impact of the risk exposure. This would be achieved by either:
    - Implementing new or enhancing existing controls or
    - Transferring the business activity, for example to an outsourced provider
- Risk Transfer, defined as the movement of the risk exposure to another party who is more willing to bear the impact, for example through an insurance arrangement. Risk Transfer must be assessed and referenced to the risk appetite, the type of risk, the scale of the potential impact and/or costs and exclusions
- Risk Acceptance, defined as an agreement by the business to retain and manage the risk exposure, for example where no mitigation is available to mitigate the risk or the cost of mitigation is deemed to be excessive in relation to the risk mitigation benefit

Action plans are developed by the functional business teams where needed to bring risks back within appetite, with action plans being reviewed and challenged.. Action plans include assigned owners, actions to be followed and delivery dates.

The business functions, supported by the regional risk teams, will:

- review the reports presented to the regional control committees and consider if any of the control weaknesses reported need to be reflected as residual risks out of appetite on the risk profiles reported to the quarterly regional risk committee;
- review the risk incident reports to assess trends and highlight any potential breaches of operational risk appetite;
- consider the impact of any major strategic or structural change within the organization or the business environment on the risk profiles; and
- consider the impact of any emerging risk reviews, scenario tests or other deep dives on the risk profiles.

The business maintain and report operational risks assessments in the Risk Profile to evidence regular monitoring and reporting against risk appetite. As a minimum, risk reporting provides sufficient data to:

- inform risk exposure by key risks and control indicators;
- describe the impacts, including regulatory breaches, non-compliance with policies and overdue audit actions;
- monitor action plans that include improvements to the control environment;
- identify systemic operational risks;
- identify emerging risks; and
- monitor and report material operational risk losses and near misses.

C.5.7 Risk Sensitivity

See section C.7 for information on Stress and Scenario Testing for all categories of material risk.

C.6 Other Material Risks

The Company is not exposed to any other material risks.

C.7 Any other Information

Stress and Scenario Testing

Once a year, the Company performs a stress and scenario testing exercise aiming at quantifying the impact on own funds of several scenarios, including a reverse stress test, agreed with the senior management. The exercise is led by the Risk Function with input from other functions.

The stress and scenario testing activities cover all material risk classes to which the Company has an exposure with the purpose of evaluating the Company's vulnerabilities to exceptional but plausible events. It is an opportunity to demonstrate that solid risk management processes are in place that would allow the Company to perform under mild and extreme strains on the existing conditions.

The scenarios and process to be followed for quantifying their impacts are reviewed and approved by the senior management along with possible mitigating actions. Furthermore, the results of the exercise are reported to the Board.

In 2016, the key scenarios investigated related to underwriting, catastrophe, and market risks. No scenarios led to a breach of the SCR with the exception of the reverse stress test.

D. Valuation for Solvency Purposes

D.1 Assets

This section of the report sets out the value of the assets, technical provisions and other liabilities of the Company. Assets, technical provisions and other liabilities are broken down into material classes and lines of business as required by Solvency II. Two sets of values are presented:

- Figures prepared in accordance with Solvency II rules and guidance; and
- Figures prepared in accordance with the accounting standard used for the Company's statutory financial statements.

A description of the differences between the Solvency II valuation methods and assumptions and the statutory accounts basis is provided.

Section D.4 sets out details of assets and liabilities from D.1 and D.3 that have been valued using alternative valuation methods in accordance with Article 10(5) of the Solvency II Delegated Act.

D.1.1 Balance Sheet Assets

The assets as per the Solvency II balance sheet at the valuation date are as follows:

Assets	Solvency II value DKKk	Statutory accounts value DKKk	Difference DKKk
Deferred tax assets	0	93	(93)
Investments (other than assets held for index-linked and unit-linked contracts)	867,241	867,241	
Bonds	851,981	851,981	
Government Bonds	327,553	327,553	
Corporate Bonds	524,428	524,428	
Collective Investments Undertakings	15,260	15,260	
Reinsurance recoverables	5,950	17,089	(11,139)
Insurance and reinsurance receivables	4,941	4,941	
Cash and cash equivalents	10,294	10,294	
Any other assets, not elsewhere shown	0	4	(4)
Total assets	**888,426**	**899,662**	**(11,236)**

D.1.2 Valuation of Assets

The assets of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 (as amended) and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provision.

The following paragraphs describe, for each material class of assets, the bases, methods and main assumptions used in valuing those assets for Solvency II purposes and an explanation of any material differences from the bases, methods and main assumptions used for valuing these in the financial statements.

The valuation methods and assumptions for assets can be found below.

Overview

Solvency II requires assets and liabilities to be valued on a basis that reflects their fair value with the exception that liabilities should not be adjusted to take account of changes in an insurer's own credit standing.

The Company's financial information is prepared using the recognition and measurement bases required in the Danish Financial Business Act, including the Danish FSA's Executive Orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). Therefore the valuation of the other assets and liabilities for Solvency II purposes begins with the values from the financial statements and adjusts these for specific differences in valuation between Solvency II and Danish GAAP. The adjustments made are classified into two broad categories:

- Reclassifications of the Danish GAAP balance sheet items into the appropriate Solvency II categories.
- Revaluation adjustments for areas where the Danish GAAP valuation techniques are not considered to be consistent with Solvency II requirements.

For further details of the accounting policies adopted for the purposes of preparing statutory accounts, see the accounting policies section of the financial statements of the Company.

Abbreviation	Meaning
DA	Delegated Acts, i.e. Solvency II Delegated Regulation 2015/35 (as amended)
QRT LOG	Guidance as extracted from Solvency II ITS on reporting – Regulation 2015/2450 and Solvency II ITS on public disclosure – Regulation 2015/2452
GL Valuation	EIOPA-BoS-15/113 EN Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions

Deferred Tax Assets and Liabilities

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Insurers should recognise and value deferred tax balances in relation to all assets and liabilities that are recognised for solvency or tax purposes. Deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) shall be determined by reference to the Solvency II balance sheet. A positive value shall only be ascribed to deferred tax assets where it is probable that future taxable profits will lead to the realisation of that deferred tax asset. This assessment should take into account any time limits that apply to the carry forward of unused tax losses or credits. EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that the measurement principles of	DA Art 15	The valuation methods for deferred tax balances is the same under Danish GAAP and Solvency II. Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts on the Solvency II balance sheet. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting, nor taxable profit or loss, it is not accounted for in the Danish GAAP balance sheet and so will not be accounted for in the Solvency II balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled.

IAS 12 (as applied to the temporary difference between Solvency II values and the tax values) are consistent with Solvency II's requirements. A corollary of this is that, consistent with IAS 12, deferred tax balances shall not be discounted.		Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax losses and temporary differences can be utilised. In preparation of the Solvency II balance sheet there are a number of adjustments to move from a Danish GAAP to Solvency II valuation basis. These adjustments are considered (other than deferred tax assets from carry-forward credits and losses) in assessing the temporary differences upon which the deferred taxes are derived. The key valuation adjustments which impact the estimated of deferred taxes for Solvency II purposes are: • elimination of goodwill and intangible assets; • adjustments to technical provisions valuation; • recognition of contingent liabilities; and • revaluation of plant and equipment (for own use).

Financial Assets

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Financial assets shall not be valued at cost or amortised cost. EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that all financial assets shall be measured at fair value. Whilst reinsurance recoverables in respect of unsettled claims are subject to the rules regarding technical provisions (see next section), payments due in relation to settled insurance claims should not be measured under those rules and so would fall to be treated as financial assets. Only future premiums which fall due after the valuation date are subject to the rules regarding technical provisions; therefore any premium debts due would fall to be treated as financial assets although EIOPA has previously indicated that the risk of non-payment by the policyholder can be ignored if that will result in waiving the insurance cover.	DA Art 10	Financial assets are valued at fair value for both Danish GAAP and Solvency II balance sheet valuation purposes. The methods and assumptions used by the Company in estimating the fair value of financial assets are: • Bonds: fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from quoted market prices of comparable securities or estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. For Solvency II reporting accrued interest is added to the relevant instruments and reclassified into the various Solvency II balance sheet categories. • Equity securities: fair values are based upon quoted market prices. For Solvency II reporting the equity securities are reclassified into the various Solvency II balance sheet categories. • Derivatives: fair values are generally based upon quoted market prices. Positive values are reported as assets and negative values reported as liabilities in the Solvency II balance sheet. • Collective investment schemes: quoted market prices are used where available, else funds are valued using data from third-party administrators

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
		or, in the case of loan funds, fund manager data. All funds are reviewed regularly for signs of underlying impairment. As such, it is considered that all values approximate to fair values. • Cash and deposits, loans and mortgages, receivables and other assets: carrying amounts approximate to fair values as these are generally short term balances. For Solvency II reporting, except for cash in hand, accrued interest is added to the relevant instruments and balances are reclassified into the various categories as per Solvency II definitions. For prepayments, the approach is to start with the Danish GAAP balance and make adjustments to derecognise any prepaid expenses for which the rights attached are not transferable to a willing third party. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to the premium provision within technical provisions. More information is provided in section D.2. Reinsurance recoverable The sub-categories in the Solvency II balance sheet of reinsurers' share of technical provisions mirrors that of the gross balances and the same mapping of Solvency II lines of business is to be used.

D.1.3 Analysis of Deferred Tax

An analysis of Deferred Tax is detailed below:

Deferred Tax	**Asset DKKk**	**Liability DKKk**
Deferred tax position at 31 December 2016	**-**	**14,988**

The following are the major deferred tax assets and liabilities recognised by the Company:

	DKKk
Provisions and other temporary differences	**94**
Technical Provisions	**(15,082)**
Net deferred tax position at 31 December 2016	**(14,988)**

Deferred tax in the Denmark is based on a rate of 22% as at 31 December 2016.

The closing procedure for providing Solvency II deferred tax figures for the Company utilises a walkthrough bridge from the figures reported on a Danish GAAP basis in the Company Annual Report. A tax analysis is performed of valuation adjustments made to the statutory accounts balances in arriving at the Solvency II balance sheet. Where these adjustments give rise to a temporary difference under Danish GAAP, a deferred tax asset or liability is recognised in accordance with Danish GAAP principles, subject to recognition criteria outlined above.

D.1.4 Estimation Techniques, Risks, and Uncertainties relating to Assets and Liabilities

The preparation of the Solvency II balance sheet requires the company to exercise judgements in the use of estimates and assumptions in a number of key areas. The most significant of these are as follows:

Recognition and Valuation of Deferred Tax Assets

Deferred tax assets have been recognised on the basis that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a forecast consistent with the three-year Operational Plan prepared by the relevant businesses, which are subject to internal review and challenge. Where relevant, the forecast includes extrapolations of the Operational Plan using assumptions consistent with those used in Operational Plan.

Financial Assets and Liabilities

Fair value is used to value a number of assets and represents market value at the reporting date.

Cash and Cash Equivalents, Loans and Receivables

For cash, loans and receivables, commercial paper, other assets, liabilities and accruals, their carrying amounts are considered to be as approximate fair values on the basis that these are short term assets.

D.2 Technical Provisions

D.2.1 Valuation and Comparison of Danish GAAP to Solvency II

Below table shows for the material line of business the Solvency II technical provisions split upon a best estimate and the associated risk margin. Table is net and includes both claims and premium provision. Technical provisions for Danish Statutory Accounts equal the Solvency II technical provisions plus a profit margin which roughly equals the contractual service margin under the Building Block Approach of IFRS 17.

		Solvency II Technical Provisions		
		Best Estimate DKKk	**Risk Margin DKKk**	**Profit Margin DKKk**
Direct business and accepted proportional reinsurance	Income protection insurance	108,449	9,468	18,928
	Motor vehicle liability insurance	82,096	5,069	5,343
	Other motor insurance	(19,663)	5,105	20,990
	Fire and other damage to property insurance	29,628	5,639	9,340
	General liability insurance	25,379	6,409	14,229
TOTAL		**225,889**	**31,690**	**68,830**

The Other motor insurance in the above table is negative. The reason is that renewals in the Company are practically all 1 January. Under the recognition principle all is considered as being legally bound as at 21 December, therefore a full year of premium is included. Since the business is profitable (positive profit margin), a negative Solvency II premium provision is seen. And due to the short-tailed nature of the business, the claims provision is small, therefore the overall Solvency II best estimate becomes negative.

D.2.2 Valuation of Technical Provisions

Under Solvency II, the technical provisions are made up of:

Claims provision + Premium provision + Risk margin

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies that the Company has written at the valuation date.

The risk margin is calculated as per the Solvency II Directive as the cost of capital required to hold future SCRs over the life of the technical provisions as they run off.

The valuation of the best estimate for claims provisions and for premium provisions are carried out separately. Claims and premium provisions are calculated gross of outwards reinsurance and for reinsurance. The risk margin is only calculated net of reinsurance.

D.2.2.1 Bases, Methods and Assumptions used for Valuation

The claims provision comprises the estimated cost of claims incurred but not paid at the end of the reporting period. The provisions are calculated by valuing future cash flows including claims payments, related expenses, salvage and subrogation recoveries and reinsurance transactions. The provision is determined using the best information available of claims settlement patterns, forecast inflation and estimated claims settlement amounts.

Future claims cash flows include an allowance for Events Not in Data (‘ENID’).

The premium provision comprises estimated cost of future claims and associated expenses for unearned business on a best estimate basis, offset by future premiums due. The cash flows also include profit commissions and the costs of policy administration.

All expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses are taken into account. This share is assessed on the basis that the Company continues to write new business. The expense provision includes items such as investment expenses that would not be covered under the IFRS basis.

Future claims cash flows are generally determined by considering how past claims payments have materialised, with separate explicit cash flows determined for gross of reinsurance and net of reinsurance. The provisions for claims relating to annuities arising from general insurance business are also determined using recognised actuarial methods.

All cash flows are discounted for the time value of money using yield curves prescribed by EIOPA.

The risk margin is calculated by determining the present value of the cost of holding the SCR necessary to support the company's insurance obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional (re)insurer, the reference undertaking, of holding the capital to accept a transfer of liabilities.

D.2.2.2 Significant Simplified Methods

For the premium provision, under the legal obligation basis of Solvency II, all existing bound contracts are to be valued, whether the contracts have incepted or not. This includes future premium and claims cash flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (Bound But Not Incepted ('BBNI') business). Disregarding this part of the policies, would be considered too prudent, wherefore the associated volume has to be estimated. Due to limitations of data available, we currently as a simplifying assumption assume that the volume corresponds to the first month of written business according to the Operational Plan.

For the risk margin, the future Reference Undertaking SCRs are estimated by considering the remaining claims at each future valuation date.

D.2.3 Uncertainties and Contingencies

There is an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims as well as estimating the number and value of claims that are still to be notified. In particular, the estimation of the provisions for the ultimate costs of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of business due to the slow emergence and longer settlement period for these claims.

Other uncertainties include the possibility of future legislative change having retrospective effect on open claims; changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience; the possibility of new types of claim, such as disease claims, emerging from business written several years ago; general uncertainty in the claims environment; the emergence of latent exposures such as asbestos; the outcome of litigation on claims received; failure to recover reinsurance and unanticipated changes in claims inflation.

There is also increased uncertainty in premium provisions as ultimate claims costs need to be estimated for future events. The ultimate level of future claims costs are partially mitigated by reinsurance.

D.2.4 Use of Adjustments and Transitionals

In valuing the technical provisions, none of the following have been applied:

- the matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- the volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC

- the transitional deduction referred to in Article 308d of Directive 2009/138/EC

D.2.5 Recoverables from Reinsurance Contracts and SPVs

Reinsurance arrangements in place include proportional, excess of loss, catastrophe and more tailored covers. Parts of the covers are shared within the RSA Group. An example of this is the natural catastrophe excess of loss cover.

D.2.6 Changes in Assumptions

Changes in assumptions are not applicable for this reporting period as permitted by Article 303 of the Delegated Act.

D.3 Other Liabilities

D.3.1 Other Balance Sheet Liabilities

The liabilities as per the Solvency II balance sheet at the valuation date are as follows:

	Solvency II value	Statutory accounts value	Difference
	DKKk	DKKk	DKKk
Deferred tax liabilities	14,988	0	14,988
Insurance & intermediaries payables	9,135	9,135	
Reinsurance payables	9,151	9,151	
Payables (trade, not insurance)	142,277	142,277	
Any other liabilities, not elsewhere shown	19,498	19,498	
Total liabilities	**195,049**	**180,061**	**14,988**

D.3.2. Valuation of Other Liabilities

The liabilities of the Company are valued in accordance with Article 75 of the Solvency II Directive, related articles of the Delegated Act, i.e. Solvency II Delegated Regulation 2015/35 (as amended) and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provision.

Set out on the following pages is a description for each material class of liabilities (other than technical provisions) of the bases, methods and main assumptions used for valuation for solvency purposes and a qualitative explanation of any material differences between these and the bases, methods and main assumptions used for their valuation in financial statements.

See Section D1.2 for an overview.

Financial Liabilities

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Insurance and reinsurance undertakings shall value financial liabilities, as referred to in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002, in accordance with Article 9 of this Regulation upon initial recognition. There shall be no subsequent adjustment to take account of the change in own credit standing of the insurance or reinsurance undertaking after initial recognition	DA Art 14(1)	Financial liabilities are valued at fair value for both Danish GAAP and Solvency II balance sheet valuation purposes. The methods and assumptions used by the Company in estimating the fair value of financial liabilities are: • Notes, bonds, loans payable and loan capital: fair values are determined by reference to quoted market prices or estimated using discounted cash flow calculations based upon prevailing market rates. • For borrowings that carry a variable rate of interest (other than loan capital), carrying values approximate to fair values. • Other liabilities and accruals: carrying amounts approximate to fair values as they are short term liabilities.

Contingent Liabilities

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Insurers should recognise as a material contingencies as liabilities. Contingent liabilities are material if information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information (including supervisors). Such liabilities should be valued at the expected present value of future cash flows required to settle the contingent liability, discounted at the basic risk-free interest rate term structure.	DA Art 11	Material contingent liabilities are recorded on the Solvency II balance sheet and are valued at the expected present value of future cash flows to settle the obligation liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. This basically means multiplying a possible outcome by its probability and discounting the result using the risk-free interest rate. This applies to non-insurance risks only, as insurance risks are already captured by the best estimate component of technical provisions. Contingent liabilities acquired in a business combination are valued on a basis consistent with that used for Danish GAAP reporting.

Accounting Provisions

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
EIOPA's Final Report on Guidelines on recognition and valuation of assets and liabilities other than technical provisions indicates that, in accordance with the principles in IAS 37, provisions are recognised where there is a present obligation as a result of a past event which will probably give rise to an outflow of resources and which can be measured reliably. Provisions are valued at a best estimate of the expenditure required to settle the present obligation at the balance sheet date.	DA Art 9	The valuation methods and assumptions for provisions is the same under Danish GAAP and Solvency II. Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Current Taxes and Liabilities

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Current tax assets and liabilities should be valued at the amount expected to be recovered or paid in accordance with the provisions of IAS 12.		The valuation methods and assumptions for current tax assets and liabilities is the same under Danish GAAP and Solvency II.

See section D.1.4 for details of estimation techniques, risks, and uncertainties relating to assets and liabilities; section d.1.2 for an explanation of the bases, methods and assumptions used for the valuation of deferred tax assets and liabilities; and section D.1.3 for deferred tax analysis.

D.3.3 Liabilities for employee benefits including defined benefit plan assets

Nothing to report.

D.4 Alternative Methods for Valuation

Assets and liabilities valued using alternative valuation methods include certain debt and equity securities and collective investment schemes.

Most of these instruments are given this classification because the markets on which they trade are not considered to be sufficiently active to qualify as active for the purpose of this disclosure. Despite this, the valuation of these assets is still based on quoted prices available from an exchange, dealer, broker, pricing service or other third party and as such these prices are considered reliable indicators of the fair value of the instruments.

Instruments disclosed as valued under alternative valuation methods for which quoted market prices are not available are valued using observable inputs as far as possible. These instruments are generally illiquid and include illiquid credit instruments. As such they are rarely traded, but experience from disposals when they do occur suggests that the valuation methods used are reasonably reliable in estimating the fair value of the instruments.

Valuation Techniques Used

See Section D.1.4 for a description of the techniques used and how they are assessed.

For further details of the valuation methods and assumptions used when valuing such instruments, please refer pages 18 to 26 of the Company’s 2016 Annual Report.

D.5 Any other Information

Nothing to report.

E. Capital Management

This section of the report describes how the Company manages own funds in terms of:

- Information on the objectives, policies and processes employed by the Company for managing its own funds;
- The amount of the Company's Solvency Capital Requirement and Minimum Capital Requirement ('MCR'), including any non-compliance with those measures; and
- The scope of the Internal Model used by the Company for its SCR calculation.

E.1 Own Funds

E.1.1 Objectives, Policies, Processes and Material Changes

Policies and Processes for Managing Own Funds

The primary objective of the Capital Management function is to ensure that the Company has sufficient capital to meet its obligations. This is achieved by optimising the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite.

Capital Management's role and responsibility is to govern, monitor and oversee capital resources ensuring that these are within the risk appetite of the Company and meet appropriate regulatory / accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and capital requirements such as available and eligible own funds.

The Company manages capital and solvency through a governance framework including methodology validation, monitoring and reporting processes.

Business Planning

The Company operates a three-year time horizon for business planning. Plans are reviewed and challenged at Board level.

Material Changes over the Reporting Period

No material changes to the objectives, policies or processes for managing own funds were made over the period.

E.1.2 Structure, Amount and Quality of Own Funds

Classification and Eligibility of Capital

The Company's own funds are classified per Solvency II requirements as follows:

Solvency II Tier	Capital Item
Tier 1	Ordinary share capital Reconciliation reserve
Tier 1 Restricted	n/a

Tier 2	n/a
Tier 3	n/a

Tier 1 own funds includes the Solvency II reconciliation reserve; the key elements of which are as follows:

- Excess of assets over liabilities as presented in the Solvency II balance sheet;
- A deduction for foreseeable dividends and distributions in relation to 2016 interim and final payments;
- A deduction for amounts already included in Tier 1 own funds, including ordinary share capital, share premium account, net deferred tax asset and minority interests.

Capital Composition

The Company's capital structure per 31 December 2016 by tier is as below:

		2016 DKKk
Tier 1	Share capital	1,000
	Reconciliation reserve	416,192
		417,192
Tier 1 Restricted	n/a	-
Tier 2	n/a	-
Tier 3	n/a	-
Total Basic Own Funds		**417,192**

E.1.3 Eligible Own Funds to Cover the SCR

Basic Own Funds to Eligible Own Funds

Solvency II requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the SCR and capital structure. Eligible own funds are considered available to cover the SCR. The Company's basic own funds to eligible own funds reconciliation is shown below:

	Basic Own Funds **DKKk**	**Availability restrictions** **DKKk**	**Available own funds** **DKKk**	**Eligibility restrictions** **DKKk**	**Eligible Own Funds** **DKKk**
Tier 1	417,192	-	417,192	-	417,192
Total	**417,192**	**-**	**417,192**	**-**	**417,192**
				SCR	**180,508**
				Surplus	**236,684**
				SCR Coverage	**231%**

Non-available Capital

The Company has no non-available capital to meet the SCR.

Ineligible Capital

The Company has no ineligible capital to meet the SCR.

E.1.4 Eligible Own Funds to Cover the MCR

Solvency II requires that basic own funds are first considered against availability rules, and then subjected to eligibility criteria based on both the MCR and capital structure. Eligible own funds are considered available to cover the MCR. The Company's basic own funds to eligible own funds reconciliation for the MCR is shown below:

	Basic Own funds	Availability restrictions	Available own funds	Eligibility restrictions	Eligible Own funds
	DKKk	DKKk	DKKk	DKKk	DKKk
Tier 1	**417,192**	-	**417,192**	-	**417,192**
Total	**417,192**	**-**	**417,192**	**-**	**417,192**
				MCR	**67,960**
				Surplus	**349,232**
				MCR Coverage	**614%**

Non-available Capital

The Company has no non-available capital to meet the MCR.

Ineligible Capital

The Company has no ineligible capital to meet the MCR.

E.1.5 Differences between Equity and Net Assets

Comparison between Danish GAAP Equity and Solvency II Basic Own Funds

The material differences between the Company's published Danish GAAP equity and its basic own funds (excess of assets over liabilities as calculated for solvency purposes) comprise the following:

	2016 DKKk
Danish GAAP equity	**363,721**
Goodwill	
Intangible assets	-
Property and equipment	-
Investments, loans and cash	-
Profit margin, gross	79,695
Profit margin, reinsurance share	(11,139)
Deferred tax effect	(15,081)
Prepayments	0
Solvency II Basic Own Funds	**417,196**

E.1.6 Transitional Arrangements

The Company does not have own funds that are subject to the transitional arrangement referred to in Article 308b(9) and 308b(10) in the Solvency II Directive.

E.1.7 Ancillary Own Funds

The Company does not have ancillary own funds.

E.1.8 Deductions and Restrictions

See sections E1.3 and E1.4 for a description of the nature and amount of restrictions on own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overall SCR and MCR

The SCR on an Internal Model basis and MCR at 31 December 2016 are as follows:

	SCR DKKk	MCR DKKk
Forsikringsselskabet Privatsikring A/S	180,508	67,960

E.2.2 SCR Split by Risk

The Company's Internal Model received approval for use in December 2015. An analysis of the Internal Model SCR split by risk category is detailed below per 31 December 2016:

Risk Driver	**2016 DKKk**
Underwriting	201,997
Catastrophe	45,699
Reserve	49,536
Market, credit , currency	9,544
Operational	(19,456)
Other	(4,358)
Out of model adjustments	(6,746)
	276,188
less: diversification	(90,931)
less: mean future profit and losses	(4,748)
SCR	**180,508**

E.2.3 Standard Formula Simplifications

Standard Formula simplifications are not applicable as an internal model is used.

E.2.4 Standard Formula USPs

Standard Formula Undertaking Specific Parameters are not applicable as an internal model is used.

E.2.5 Capital add-on and USP non-disclosure

No capital add-ons were in place during the reporting period. Undertaking Specific Parameters are not applicable as an internal model is used.

E.2.6 Capital add-on and USP Impact

No capital add-ons were in place during the reporting period. Undertaking Specific Parameters are not applicable as an internal model is used.

E.2.7 MCR Calculation Inputs

Solvency II has two capital measures for each entity:

- Solvency Capital Requirement – if a company breaches the SCR then it needs to enter into discussions with the supervisor to remediate this position
- Minimum Capital Requirement – if a company breaches the MCR then if a company is unable to execute a remediation plan the regulator is obliged to remove its ability to write business

The MCR is designed to be at an 85% confidence level compared to 99.5% for the Standard Formula – and has a corridor such that it lies between 25% and 45% of the SCR calculated with the Standard Formula. The fact that the corridor shall be calculated based on the Standard Formula SCR is a requirement from the Danish FSA that applies in 2016 and 2017, the requirement ceases to exist from 1 January 2018. Capital eligibility for the MCR is restricted beyond the restrictions applied to the SCR.

E.2.8 Changes to the SCR and MCR

Overall an increase of the SCR from year-end 2015 to year-end 2016. Main driver of this change is higher assumed commission payments in the budget affecting the underwriting result adversely. The yearly recalibration of volatility in the Internal Model led to a slight decrease in risk associated with prior year business and new business (underwriting risk). The change is considered to be minor adjustments to the modelled risk following recalibration utilising another year of data rather than being a shift in perception of the underlying risk.

There have been no material changes to the MCR for the Company.

E.3 Use of the Duration-based Equity Risk Sub-module in the Calculation of the Solvency Capital Requirement

The duration-based equity risk sub-module is not used.

E.4 Differences between the Standard Formula and any Internal Model used

E.4.1 Internal Model Purposes

The Internal Model helps ensure the Company operates effectively and within regulatory requirements on a continuous basis. The model outputs provide the capital information used in: the calculations of the SCR; the ORSA; reporting and disclosure; and other business applications.

E.4.2 Internal Model Scope

Scope (by Business Unit)

All the Company's lines of businesses are included in the scope of the Internal Model.

Scope (by Risk Type)

The modelled SCR is split into the following sub-modules:

- Underwriting risk
- Catastrophe risk
- Reserve risk
- Market risk
- Credit risk
- Operational risk
- Other drivers

E.4.3 Partial Internal Model Integration

A full internal model is used so there is no partial internal model integration into the Standard Formula.

E.4.4 Internal Model Calculation Methods

Overview of Model Methodology

The Company employs an internal model to determine its SCR. The SCR assumes that one year of new business is written as a going concern and calculates the movement in basic own funds over one year.

A model run consists of 25,000 simulations, each representing a different possible outcome of the future cash flows and balance sheets. For each projected balance sheet, the difference between the opening available net assets and the present value of projected net assets represents the capital required to meet the outflows and value movements in the period up to that projected balance sheet.

Operational risk is modelled separately and the resulting capital requirement added to that produced by the main model run to arrive at the overall assessment of capital required.

E.4.5 Differences in Methodologies and Assumptions

Differences in Standard Formula and Internal Model structure

The Company's Internal Model is structured in a different way to the Standard Formula. The Internal Model is a fully integrated capital model where variables interact to create a distribution of outcomes.

There are no standalone risk components, and no explicit correlations between the main risk (or SCR) components within the Internal Model.

Explanation by Risk Module used in Internal Model and Standard Formula

Insurance Risk – Underwriting, Reserving and Catastrophe

The Internal Model splits insurance risk into three categories:

- Underwriting
- Reserving
- Catastrophe

Non-life, health and life risks are all considered jointly within each category (although non-life is the material component)

The Standard Formula splits into three for non-life and non-life like health:

- Premium and reserve
- Catastrophe
- Lapse (immaterial for the Company as a non-life insurer)

In broad terms, Standard Formula premium and reserve risk for non-life and health can be compared to Internal Model underwriting and reserve risk (although the Standard Formula combines the two).

Catastrophe can similarly be compared.

This approach is crude as it ignores the fundamentally different approach to diversification between the two methods.

Life risks are immaterial for the Company for both the Internal Model and Standard Formula, given the nature of the Company's operations.

Market Risk

Market risk is lower under the Internal Model than the Standard Formula. Broadly, the Standard Formula uses pre-determined charges, whereas the Internal Model uses projected returns on the Company's assets based on a range of economic simulations, which leads to a more appropriate reflection of the Company's risk profile.

Counterparty Risk

Counterparty risk is lower under the Internal Model than the Standard Formula. The Internal Model will simulate defaults based on S&P credit ratings and the Company's own reinsurance data for cash and reinsurance exposures. Policyholder, intermediary and other asset defaults are modelled based on historic default data, which is lower than that implied by the Standard Formula 15% and 90% default rates.

Operational Risk and Other Items

Operational risk is lower under the Internal Model than the Standard Formula. The Internal Model uses scenarios that are designed using expert judgement from subject matter experts using the Company's real experience and third party data. As a result, the Internal Model is more closely aligned to real world experience than a function of reserves as used in the Standard Formula.

E.4.6 Risk Measure and Time Period

The Internal Model SCR represents the capital required to ensure that the Company will have sufficient amount of eligible capital resources to be able to meet its obligations when the business encounters adverse conditions, subject to a confidence level of 99.5% over a one-year period and assuming the business remains a going concern.

E.4.7 Data Nature and Appropriateness

There are many data sources used in the Internal Model. For example:

- Balance sheet data
- Detailed asset data
- Best estimate reserves and reserving triangles by class of business
- Historical loss ratios by class of business
- Historical Large losses by class of business
- Operational Plan
- Exposure data for catastrophe modelling
- Economic data for Economic Scenario Generator

Each data item used by the Internal Model is assessed in an annual data quality assessment exercise to establish whether the data is accurate, appropriate and complete.

E.5 Non-compliance with the MCR and Non-compliance with the SCR

The Company has been fully compliant with the SCR and the MCR during the reporting period.

E.6 Any other Information

Nothing to report.

Appendix. Quantitative Reporting Templates (QRTs)

QRT Reference	QRT Name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims information
S.23.01.01	Own funds
S.25.03.21	Solvency Capital Requirement – for undertakings on full internal models
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

There is nothing to report for the Company for QRT S.22.01.21 (Impact of long term guarantees and transitional measures).

There is nothing to report for the Company for QRT S.12.01.02 (Life and Health SLT Technical Provisions).

All monetary amounts are shown in thousands of DKK (000's) in all QRTs.

FORSIKRINGSSELKSAB

Solvency and Financial Condition Report

Disclosures

31 december

2016

(Monetary amounts in DKK thousands)

General information

Undertaking name	FORSIKRINGSSELKSABET PRIVATSIKRING A/S
Undertaking identification code	213800EKN2D9ACM88N66
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	DK
Language of reporting	en
Reporting reference date	31 december 2016
Currency used for reporting	DKK
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Full internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models
S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	867.241
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	851.981
R0140	*Government Bonds*	327.553
R0150	*Corporate Bonds*	524.428
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	15.260
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	5.950
R0280	*Non-life and health similar to non-life*	5.950
R0290	*Non-life excluding health*	6.081
R0300	*Health similar to non-life*	-131
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	4.928
R0370	Reinsurance receivables	13
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	10.294
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	888.426

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	276.185
R0520	*Technical provisions - non-life (excluding health)*	158.399
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	135.392
R0550	*Risk margin*	23.007
R0560	*Technical provisions - health (similar to non-life)*	117.786
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	108.318
R0590	*Risk margin*	9.468
R0600	Technical provisions - life (excluding index-linked and unit-linked)	
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	14.988
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	9.135
R0830	Reinsurance payables	9.151
R0840	Payables (trade, not insurance)	142.277
R0850	Subordinated liabilities	
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	
R0880	Any other liabilities, not elsewhere shown	19.498
R0900	**Total liabilities**	471.234
R1000	**Excess of assets over liabilities**	417.192

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		127.315		44.500	151.452	590	257.815	13.767			36.264	27.148					658.851
R0120	Gross - Proportional reinsurance accepted																	
R0130	Gross - Non-proportional reinsurance accepted																	
R0140	Reinsurers' share		310		894			9.052	647				14.687					25.590
R0200	Net		127.005		43.606	151.452	590	248.762	13.121			36.264	12.461					633.261
	Premiums earned																	
R0210	Gross - Direct Business		132.174		22.957	172.303	622	253.133	22.517			36.278	28.261					668.245
R0220	Gross - Proportional reinsurance accepted																	
R0230	Gross - Non-proportional reinsurance accepted																	
R0240	Reinsurers' share		814		1.752			20.310	2.158				15.787					40.822
R0300	Net		131.361		21.204	172.303	622	232.823	20.359			36.278	12.473					627.423
	Claims incurred																	
R0310	Gross - Direct Business		59.966		33.251	64.772	97	136.289	11.860			31.090	9.209					346.533
R0320	Gross - Proportional reinsurance accepted																	
R0330	Gross - Non-proportional reinsurance accepted																	
R0340	Reinsurers' share		0			12	0	79					12.642					12.733
R0400	Net		59.966		33.251	64.760	96	136.210	11.860			31.090	-3.433					333.800
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	
R0420	Gross - Proportional reinsurance accepted																	
R0430	Gross - Non-proportional reinsurance accepted																	
R0440	Reinsurers' share																	
R0500	Net																	
R0550	**Expenses incurred**		42.128		16.506	57.589	277	100.891	4.947			9.572	9.026					240.937
R1200	**Other expenses**																	-1.317
R1300	**Total expenses**																	239.620

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									
R1420	Reinsurers' share									
R1500	Net									
	Premiums earned									
R1510	Gross									
R1520	Reinsurers' share									
R1600	Net									
	Claims incurred									
R1610	Gross									
R1620	Reinsurers' share									
R1700	Net									
	Changes in other technical provisions									
R1710	Gross									
R1720	Reinsurers' share									
R1800	Net									
R1900	**Expenses incurred**									
R2500	**Other expenses**									
R2600	**Total expenses**									

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	658.211						658.211
R0120	Gross - Proportional reinsurance accepted							
R0130	Gross - Non-proportional reinsurance accepted							
R0140	Reinsurers' share	25.590						25.590
R0200	Net	632.621	0	0	0	0	0	632.621
	Premiums earned							
R0210	Gross - Direct Business	667.655						667.655
R0220	Gross - Proportional reinsurance accepted							
R0230	Gross - Non-proportional reinsurance accepted							
R0240	Reinsurers' share	40.822						40.822
R0300	Net	626.833	0	0	0	0	0	626.833
	Claims incurred							
R0310	Gross - Direct Business	346.639						346.639
R0320	Gross - Proportional reinsurance accepted							
R0330	Gross - Non-proportional reinsurance accepted							
R0340	Reinsurers' share	12.733						12.733
R0400	Net	333.906	0	0	0	0	0	333.906
	Changes in other technical provisions							
R0410	Gross - Direct Business							
R0420	Gross - Proportional reinsurance accepted							
R0430	Gross - Non-proportional reinsurance accepted							
R0440	Reinsurers' share							
R0500	Net		0	0	0	0	0	
R0550	**Expenses incurred**	240.821						240.821
R1200	**Other expenses**							
R1300	**Total expenses**							240.821

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							
R1420	Reinsurers' share							
R1500	Net		0	0	0	0	0	
	Premiums earned							
R1510	Gross							
R1520	Reinsurers' share							
R1600	Net		0	0	0	0	0	
	Claims incurred							
R1610	Gross							
R1620	Reinsurers' share							
R1700	Net		0	0	0	0	0	
	Changes in other technical provisions							
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net		0	0	0	0	0	
R1900	**Expenses incurred**							
R2500	**Other expenses**							
R2600	**Total expenses**							

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		-22.841		-7.862	-25.677	-123	-20.888	5.865			485	-770					-71.812
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-135		-858			-7.207	-1.512				-385					-10.097
R0150	**Net Best Estimate of Premium Provisions**		-22.706		-7.003	-25.677	-123	-13.682	7.376			485	-385					-61.715
	Claims provisions																	
R0160	Gross		131.159		89.100	6.089	174	43.851	18.003			9.141	18.004					315.522
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		4			75	0	541					15.426					16.046
R0250	**Net Best Estimate of Claims Provisions**		131.155		89.100	6.014	174	43.310	18.003			9.141	2.578					299.475
R0260	**Total best estimate - gross**		108.318		81.238	-19.588	51	22.962	23.868			9.626	17.235					243.710
R0270	**Total best estimate - net**		108.449		82.096	-19.663	51	29.628	25.379			9.626	2.193					237.760
R0280	**Risk margin**		9.468		5.069	5.105	24	5.639	6.409			635	126					32.475
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	
R0300	Best estimate																	
R0310	Risk margin																	
R0320	**Technical provisions - total**		117.785		86.307	-14.483	75	28.601	30.276			10.261	17.361					276.185
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		-131		-858	75	0	-6.666	-1.512				15.041					5.950
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		117.917		87.165	-14.558	75	35.267	31.788			10.261	2.320					270.235

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											60.567	60.567	60.567
R0160	N-9	99.672	48.365	17.382	11.772	5.664	2.605	2.751	1.841	364	12		12	190.428
R0170	N-8	120.347	53.748	20.572	10.576	5.719	5.339	801	1.855	111			111	219.068
R0180	N-7	136.005	60.702	19.068	11.016	2.380	1.554	786	361				361	231.873
R0190	N-6	146.169	69.535	22.814	7.047	6.077	1.541	1.730					1.730	254.912
R0200	N-5	182.238	73.943	24.970	10.164	6.758	4.347						4.347	302.420
R0210	N-4	179.367	72.871	22.083	11.038	3.488							3.488	288.847
R0220	N-3	176.902	87.867	22.536	6.431								6.431	293.737
R0230	N-2	179.414	76.944	26.024									26.024	282.383
R0240	N-1	206.696	87.010										87.010	293.705
R0250	N	219.022											219.022	219.022
R0260												Total	409.103	2.636.961

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											4.129	4.064
R0160	N-9	0	0	0	0	0	0	0	0	0	1.581		1.557
R0170	N-8	0	0	0	0	0	0	0	0	2.799			2.762
R0180	N-7	0	0	0	0	0	0	0	1.133				1.117
R0190	N-6	0	0	0	0	0	0	6.830					6.757
R0200	N-5	0	0	0	0	0	11.497						11.393
R0210	N-4	0	0	0	0	14.301							14.222
R0220	N-3	0	0	0	20.526								20.430
R0230	N-2	0	0	35.400									35.300
R0240	N-1	0	67.757										67.697
R0250	N	150.134											150.221
R0260												Total	315.522

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	0	0	0									0	0
R0240	N-1	0	0										0	0
R0250	N	0											0	0
R0260												**Total**	0	0

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	0			0
R0180	N-7	0	0	0	0	0	0	0	0				0
R0190	N-6	0	0	0	0	0	0	0					0
R0200	N-5	0	0	0	0	0	0						0
R0210	N-4	0	0	0	0	0							0
R0220	N-3	0	0	0	0								0
R0230	N-2	0	0	0									0
R0240	N-1	0	0										0
R0250	N	0											0
R0260												**Total**	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1.000	1.000			
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	416.192	416.192			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets					
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	417.192	417.192			
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	417.192	417.192			
R0510	Total available own funds to meet the MCR	417.192	417.192			
R0540	Total eligible own funds to meet the SCR	417.192	417.192			
R0550	Total eligible own funds to meet the MCR	417.192	417.192			
R0580	**SCR**	180.508				
R0600	**MCR**	67.960				
R0620	**Ratio of Eligible own funds to SCR**	231,12%				
R0640	**Ratio of Eligible own funds to MCR**	613,88%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	417.192
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1.000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	416.192
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	90.532
R0790	**Total Expected profits included in future premiums (EPIFP)**	90.532

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	501ER8I	Diversification within Other Underwriting Risk	-31.040
2	501ERA1	Other Underwriting Risk - Expectation - Personal Motor PS	-13.272
3	501ERB1	Other Underwriting Risk - Movement from expectation - Personal Motor PS	46.496
4	501ERA2	Other Underwriting Risk - Expectation - Personal Contents PS	-7.013
5	501ERB2	Other Underwriting Risk - Movement from expectation - Personal Contents PS	23.224
6	501ERA3	Other Underwriting Risk - Expectation - Personal Property PS	7.627
7	501ERB3	Other Underwriting Risk - Movement from expectation - Personal Property PS	47.191
8	501ERA4	Other Underwriting Risk - Expectation - PA PS	-13.736
9	501ERB4	Other Underwriting Risk - Movement from expectation - PA PS	17.567
10	503018I	Diversification within Catastrophe Risk	-4.464
11	50301SA	Catastrophe Risk - Expectation - Storm	6.565
12	50301SB	Catastrophe Risk - Movement from Expectation - Storm	44.843
13	50301FA	Catastrophe Risk - Expectation - Flood	0
14	50301FB	Catastrophe Risk - Movement from Expectation - Flood	0
15	50301EA	Catastrophe Risk - Expectation - Earthquake	0
16	50301EB	Catastrophe Risk - Movement from Expectation - Earthquake	0
17	50301CA	Catastrophe Risk - Expectation - Convective Storm	0
18	50301CB	Catastrophe Risk - Movement from Expectation - Convective Storm	0
19	50301WA	Catastrophe Risk - Expectation - Winter Storm	0
20	50301WB	Catastrophe Risk - Movement from Expectation - Winter Storm	0
21	50301ZA	Catastrophe Risk - Expectation - Freeze	0
22	50301ZB	Catastrophe Risk - Movement from Expectation - Freeze	0
23	50301LA	Catastrophe Risk - Expectation - Flood and Freeze	0
24	50301LB	Catastrophe Risk - Movement from Expectation - Flood and Freeze	0
25	50301BA	Catastrophe Risk - Expectation - Cloudburst	862
26	50301BB	Catastrophe Risk - Movement from Expectation - Cloudburst	5.290
27	502A8I	Diversification within Reserving Risk	0
28	502AHA	Swedish Reserving Annuity Risk - Expectation	0
29	502AHB	Swedish Reserving Annuity Risk - Movement from Expectation	0
30	502AR8I	Diversification within Other Reserving Risk	-34.481
31	502ARA1	Other Reserving Risk - Expectation - Personal Motor PS	-208
32	502ARB1	Other Reserving Risk - Movement from expectation - Personal Motor PS	28.274
33	502ARA2	Other Reserving Risk - Expectation - Personal Contents PS	-38
34	502ARB2	Other Reserving Risk - Movement from expectation - Personal Contents PS	15.861
35	502ARA3	Other Reserving Risk - Expectation - Personal Property PS	714
36	502ARB3	Other Reserving Risk - Movement from expectation - Personal Property PS	18.177
37	502ARA4	Other Reserving Risk - Expectation - PA PS	-279
38	502ARB4	Other Reserving Risk - Movement from expectation - PA PS	21.044
39	108I	Diversification within Market	-8.775
40	10101A	Market Risk: interest rate risk - Expectation	6.017
41	10101B	Market Risk: interest rate risk - Movement from Expectation	4.745
42	10401A	Market Risk: equity risk - Expectation	0
43	10401B	Market Risk: equity risk - Movement from Expectation	0
44	10601A	Market Risk: property risk - Expectation	0
45	10601B	Market Risk: property risk - Movement from Expectation	0
46	107EA8I	Diversification Within Spread Risk AAA	0
47	107EAD8I	Diversification Within Spread Risk AAA DKK	-660
48	107EAD1A	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Short - Expectation	-254
49	107EAD1B	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Short - Movement from Expectation	227
50	107EAD2A	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Medium - Expectation	-141
51	107EAD2B	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Medium - Movement from Expectation	548

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
52	107EAD3A	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Long - Expectation	0
53	107EAD3B	Market Risk: spread risk AAA - DKK - Fixed Corporate AAA Long - Movement from Expectation	0
54	107EAD4A	Market Risk: spread risk AAA - DKK - Fixed Preference AAA - Expectation	0
55	107EAD4B	Market Risk: spread risk AAA - DKK - Fixed Preference AAA - Movement from Expectation	0
56	107EAD5A	Market Risk: spread risk AAA - DKK - Floating Corporate AAA - Expectation	-30
57	107EAD5B	Market Risk: spread risk AAA - DKK - Floating Corporate AAA - Movement from Expectation	8
58	107EAD6A	Market Risk: spread risk AAA - DKK - Floating Preference AAA - Expectation	0
59	107EAD6B	Market Risk: spread risk AAA - DKK - Floating Preference AAA - Movement from Expectation	0
60	107EAD7A	Market Risk: spread risk AAA - DKK - Callable MBS - Expectation	-2.248
61	107EAD7B	Market Risk: spread risk AAA - DKK - Callable MBS - Movement from Expectation	7.061
62	107EACA	Market Risk: spread risk AAA - SEK - Expectation	0
63	107EACB	Market Risk: spread risk AAA - SEK - Movement from Expectation	0
64	107EAFA	Market Risk: spread risk AAA - NOK - Expectation	0
65	107EAFB	Market Risk: spread risk AAA - NOK - Movement from Expectation	0
66	107EAGA	Market Risk: spread risk AAA - EUR - Expectation	0
67	107EAGB	Market Risk: spread risk AAA - EUR - Movement from Expectation	0
68	107EAHA	Market Risk: spread risk AAA - GBP - Expectation	0
69	107EAHB	Market Risk: spread risk AAA - GBP - Movement from Expectation	0
70	107EAJA	Market Risk: spread risk AAA - USD - Expectation	0
71	107EAJB	Market Risk: spread risk AAA - USD - Movement from Expectation	0
72	107EBA	Market Risk: spread risk AA - Expectation	0
73	107EBB	Market Risk: spread risk AA - Movement from Expectation	0
74	107ECA	Market Risk: spread risk A - Expectation	0
75	107ECB	Market Risk: spread risk A - Movement from Expectation	0
76	107EKA	Market Risk: spread risk below A - Expectation	-49
77	107EKB	Market Risk: spread risk below A - Movement from Expectation	-30
78	10901A	Market Risk: Group Currency Risk - Expectation	36
79	10901B	Market Risk: Group Currency Risk - Movement from Expectation	1.346
80	11001A	Market Risk: Other market risk - Expectation	0
81	11001B	Market Risk: Other market risk - Movement from Expectation	0
82	203018I	Diversification Within Credit Risk	178
83	20301PA	Credit Risk - Premium Debt - Expectation	478
84	20301PB	Credit Risk - Premium Debt - Movement from Expectation	999
85	20301RA	Credit Risk -Reinsurance Debt- Expectation	28
86	20301RB	Credit Risk - Reinsurance Debt - Movement from Expectation	-18
87	20301CA	Credit Risk - Cash - Expectation	5
88	20301CB	Credit Risk - Cash - Movement from Expectation	-5
89	70101A	Operational Risk - Expectation	0
90	70101B	Operational Risk - Movement from Expectation	19.731
91	8018I	Diversification Within Other Risks	0
92	801A1Q	Other Risks: Pension Risk -Expectation	0
93	801A1R	Other Risks: Pension Risk - Movement from Expectation	0
94	801E1A	Other Risks: Costs - Expectation	0
95	801E1B	Other Risks: Costs - Movement from Expectation	0
96	801F1A	Other Risks: Tax - Expectation	4.415
97	801F1B	Other Risks: Tax - Movement from Expectation	-4.415
98	80301I	Loss absorbing Capacity of Deferred Tax	-50.913
99	804M1I	Other Adjustments: Additional Model Adjustments	107.505

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	264.995
R0060	Diversification	-84.487
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	180.508
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	180.508
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	50.913
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	80.102

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance	108.449	127.005
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance	82.096	43.606
R0060	Other motor insurance and proportional reinsurance		151.452
R0070	Marine, aviation and transport insurance and proportional reinsurance	51	590
R0080	Fire and other damage to property insurance and proportional reinsurance	29.628	248.762
R0090	General liability insurance and proportional reinsurance	25.379	13.121
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance	9.626	36.264
R0130	Miscellaneous financial loss insurance and proportional reinsurance	2.193	12.461
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	80.102
R0310	SCR	180.508
R0320	MCR cap	67.960
R0330	MCR floor	37.755
R0340	Combined MCR	67.960
R0350	Absolute floor of the MCR	27.525
R0400	**Minimum Capital Requirement**	67.960