CODAN FORSIKRING A/S

Solvency and Financial Condition Report (SFCR)

2020

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Introduction

Codan Forsikring A/S (the 'Company') is a limited company incorporated and domiciled in Denmark. The Company is a one of the largest non-life insurance providers in Scandinavia. The Company conducts non-life insurance business in Sweden through a Swedish branch and in Norway through a Norwegian branch and competes with other non-life general insurance companies in these markets. The Company is part of RSA Insurance Group plc (RSA Group), one of the world's leading insurance groups with the benefits that follow.

This document sets out the solvency and financial condition of the Company as at 31 December 2020, 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. The Company is a subsidiary 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 2020 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 in accordance with 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 regulation. 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.

The Company has two insurance subsidiaries that are subject to Solvency II and these companies publish their own Solvency and Financial Condition Reports:

- Forsikringsselskabet Privatsikring A/S; and
- Holmia Livforsäkring AB

Summary

This document sets out the solvency and financial condition of the Company as at 31 December 2020, as required by Solvency II regulations. This document report the Company's solvency and financial condition per 31 December 2020 as required by the regulation.

A summary of the material changes during the period can be found below for each of the SFCR parts.

Business and performance

Underwriting result

The Company produced a profit after tax of DKK 1,599m in 2020 driven by an increase in the profitability on the general insurance technical accounts more than offset by a decrease in investment return compared to 2019.

The balance on the technical account is positive with DKK 2,341m against a positive balance of DKK 1,823m in 2019. The combined ratio is 83.3% against 87.6% in 2019.

Investment result

The Company's investments consist of subsidiaries and other financial assets. The total investment return decreased to DKK 194m for 2020 against DKK 1,533m for 2019. The investment return after return on and value adjustments on technical provisions amounted to DKK -254 in 2020 against DKK 821m in 2019, corresponding to a decrease of DKK 1,075m. For further details on the Company's investments performance, see section A.3 and the Company's annual report and accounts.

The investment return for 2020 was affected by general low yielding bond market where yields were relative stabile year on year, which resulted in capital losses of DKK 273m from bonds compared to a gain of DKK 145m in 2019.

Foreign exchange movements regarding investment assets had a negative effect on the investment result of DKK 221m against a positive impact of DKK 90m in 2019.

Operating Profit

The improvement in operating profit for the year is driven by the current year underwriting result as well as positive run-off from prior years being above 2019 level. Further, the investment return and return on value adjustments on technical provisions decreased significantly compared to 2019. For further details of the Company's business and performance, see section A of the report.

Capital Position

In June 2020, RSA Group, in collaboration with Codan Forsikring, made an application to the College of Supervisors to implement Major Model Changes to the Internal Model. In addition, the Company submitted two other applications for Major Model Changes. All applications were approved in December 2020. As part of an earlier submitted application and the end of the Brexit transition period, the Company has an approved solo Internal Model for calculation of the SCR.

Solvency II position	Requirement (SCR) (unaudited) DKKm	Eligible Own Funds DKKm	Surplus DKKm	Coverage %
31 December 2020	**5,233**	**8,703**	**3,470**	**166%**
31 December 2019	4,871	8,437	3,566	173%

The Company's solvency coverage (eligible own funds divided by Solvency Capital Requirement (SCR)) decreased to 166% during the reporting period.

The key drivers of the decrease in the coverage ratio were increase in the SCR mainly due to increase in market risk. This increase was not offset by an increase in own funds. The increase in own funds was contributed by profit and negative market movements over the year although partly offset by dividend payments.

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

The SCR has increased from year-end 2019 (DKK 4,871m) to year-end 2020 (DKK 5,233m). The increase in the SCR during 2020 was driven by improved spread risk modelling as well as an increase in market risk from spreads and a riskier investment mix. The 2021 Operational Plan has further increased the SCR as it allows for costs associated with the partnership with Nykredit, Lokale Pengeinstitutter and Spar Nord through its subsidiary Privatsikring. The internal model was updated with major model changes which were approved by the regulators during 2020.

Capital activity

In the first half of 2020, the Company paid an interim dividend of DKK 200m to its parent company and in the second half of 2020 an additional DKK 1,550m was paid as an interim dividend to the parent company. DKK 500m of the latter interim dividend was used by the parent company to repay part of the loan between the two.

No other material capital activity has affected the Company's basic own funds during 2020.

Other Material Events

As of January 1, 2021, the UK is no longer a member of the EU. This is important for Codan Forsikring because the company's ultimate parent company RSA is domiciled in England.

The outbreak of the COVID-19 global pandemic during Q1 2020 has caused significant and unprecedented global uncertainty and market volatility. The Company continues to closely monitor the impact on its operations, its customers and underwriting, and on its primary capital metrics.

Scandinavian economies are expected to be negatively impacted by the Covid-19 outbreak in 2020 which may have an adverse impact on the Company's business for 2021 – pending roll out of vaccines.

In November 2020 Tryg Insurance and Intact announced a joint-bid for RSA Group. If the transaction completed, the Swedish and Norwegian businesses of Codan Forsikring will become part of Tryg Insurance. Intact and Tryg plan to jointly own Codan Forsikring Denmark. The transaction is pending regulatory approval.

As it is too early to assess the full impacts from Covid-19, in addition to the pending merger with Tryg and Intact, the management of Codan does not consider it appropriate to make any further statements as to the expected developments in the result, interest rate, currency rates and stock markets or the expected value adjustments for 2021.

A. Business and Performance

In this section

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

Performance figures in Section A have been prepared in accordance with the same accounting standards used for the Group's Annual Report and Accounts. These are International Financial Reporting Standards (IFRS) as endorsed by the EU.

A.1 Business

A.1.1 Company name & legal form

This report covers Codan Forsikring 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

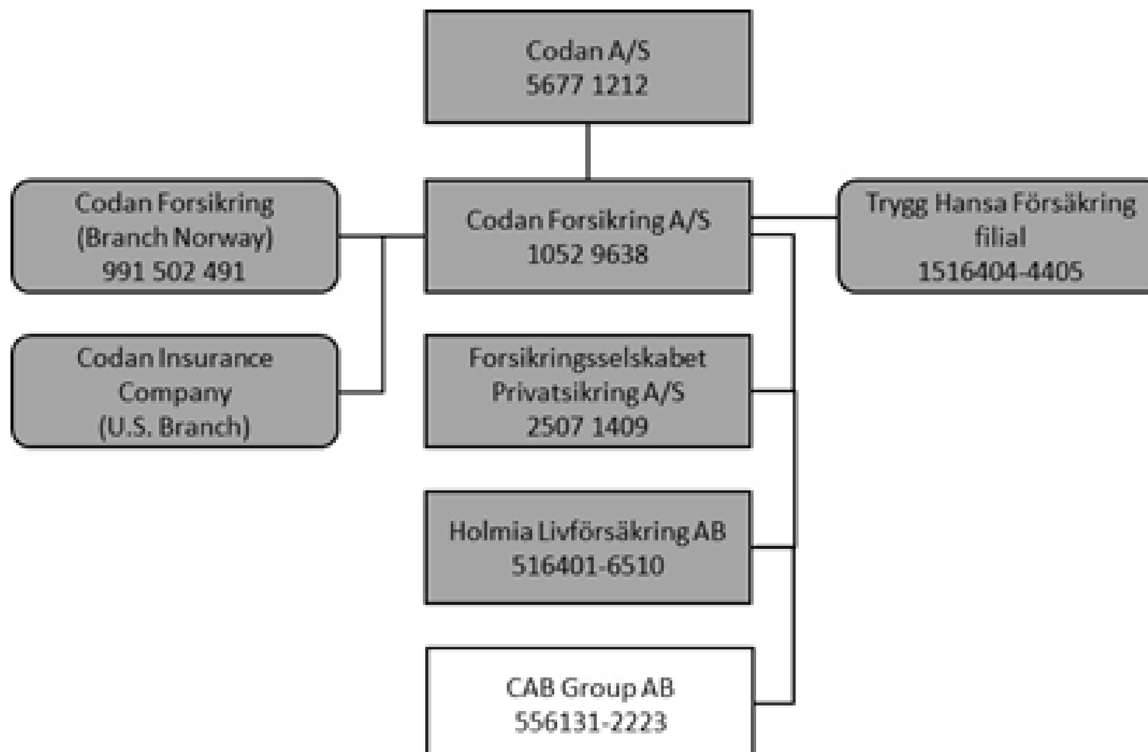
A.1.4 Holders of qualifying holdings

RSA Insurance Group plc, England, owns 100% of the shares in Codan Forsikring A/S, through the wholly owned Codan A/S and other intermediary companies.

A.1.5 Position within the Group legal structure

Codan A/S owns 100% of the shares in the Company and is via intermediary companies owned by RSA Insurance Group plc.

Wholly owned insurance subsidiaries of the Company are Forsikringsselskabet Privatsikring A/S and Holmia Livförsäkring AB. The Company has two material insurance branches, Codan Forsikring NUF operating in Norway and Trygg-Hansa Försäkring filial operating in Sweden. Details of the legal structure are shown below, as at the end of the reporting period.



A.1.6 Material related undertakings

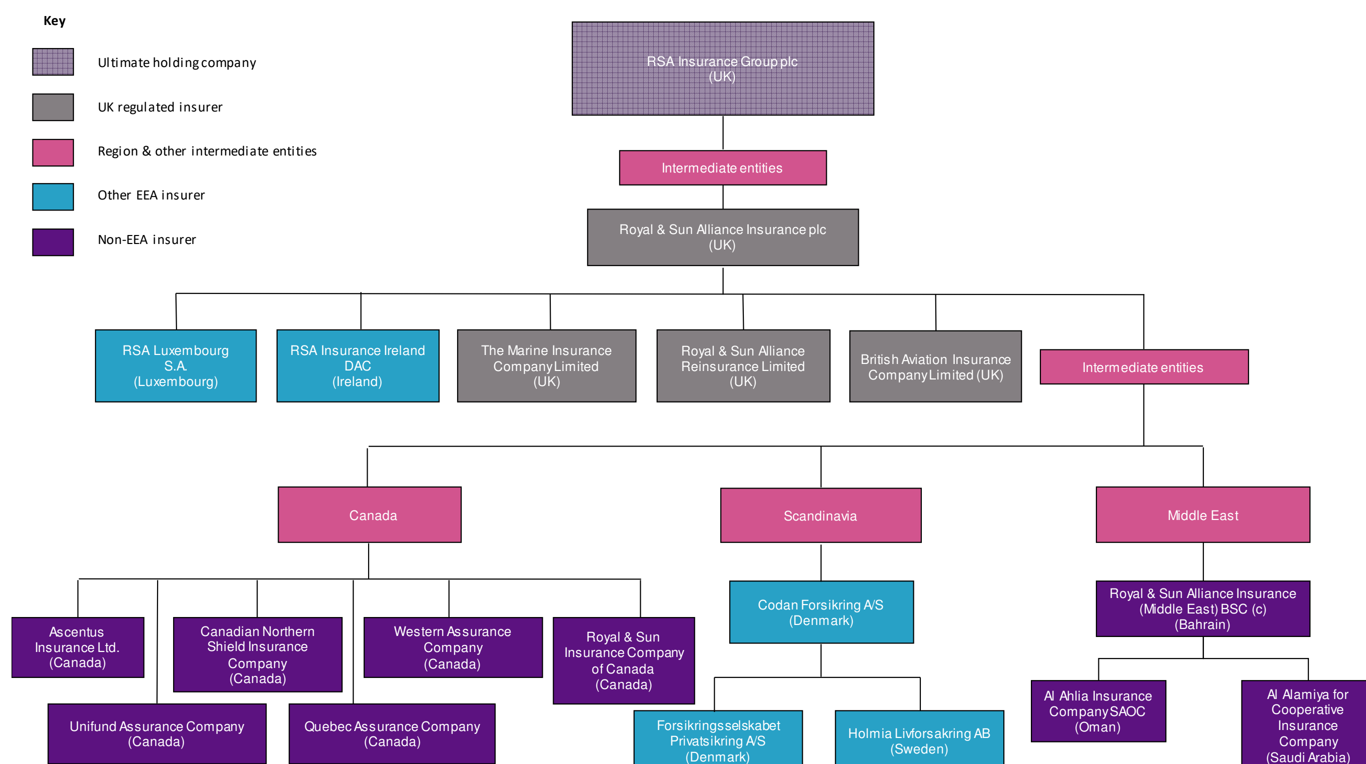
A list of material related undertakings including the name, legal form, country, proportion of ownership interest and, if different, proportion of voting power held is detailed below:

100% owned insurance subsidiaries:

Country of Incorporation	Name	Principal activity
Denmark	Forsikringsselskabet Privatsikring A/S	General insurance
Sweden	Holmia Livforsäkring AB	Life insurance

:

A.1.7 Simplified Group structure



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

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
Sweden
Norway
Line of businesses – non-life
Medical expense
Income protection
Motor vehicle liability
Other motor
Fire and damage to property
General liability insurance

A.1.9 Significant events

As of January 1, 2021, the UK is no longer a member of the EU. This is important for Codan Forsikring because the company's ultimate parent company RSA is domiciled in England.

The outbreak of the COVID-19 global pandemic during Q1 2020 has caused significant and unprecedented global uncertainty and market volatility. The Company continues to closely monitor the impact on its operations, its customers and underwriting, and on its primary capital metrics.

Scandinavian economies are expected to be negatively impacted by the Covid-19 outbreak in 2020 which may have an adverse impact on the Company's business for 2021 – pending roll out of vaccines.

In November 2020 Tryg Insurance and Intact announced a joint-bid for RSA Group. If the transaction completed, the Swedish and Norwegian businesses of Codan Forsikring will become part of Tryg Insurance. Intact and Tryg plan to jointly own Codan Forsikring Denmark. The transaction is pending regulatory approval.

As it is too early to assess the full impacts from Covid-19, in addition to the pending merger with Tryg and Intact, the management of Codan does not consider it appropriate to make any statements as to the expected developments in the result, interest rate, currency rates and stock markets or the expected value adjustments for 2021.

A.2 Underwriting performance

The Company's underwriting result was driven by improved incurred claims, partly offset by lower top line

	2020 DKKm	2019 DKKm
Gross premiums written	**14,539**	**14,781**
Net premiums written	13,894	14,149
Earned premiums, net of reinsurance	13,577	14,041
Claims incurred, net of reinsurance	(8,876)	(9,891)
Net operating expenses	(2,360)	(2,327)
Underwriting result	**2,341**	**1,823**
Investment return	194	1,533
Return on and value adjustments on technical provisions	(449)	(712)
Total investment return after return on and value adjustment on technical provisions	**(255)**	**821**
Other non-operating charges	(3)	-
Profit before tax	**2,083**	**2,644**
Tax	(485)	(558)
Profit after tax	**1,598**	**2,086**

A.2.1 Performance by Line of Business

An analysis of underwriting performance for the Company for the year ended 31 December 2020 by material line of business is detailed below:

	Net Written Premium		Underwriting Result	
	2020	2019	**2020**	2019
	DKKm	DKKm	**DKKm**	DKKm
Non-life				
Fire and other damage to property	**4,800**	4,929	**486**	94
Motor vehicle liability	**1,077**	1,133	**202**	214
Other Motor	**3,334**	3,428	**623**	464
Income protection	**2,846**	2,755	**747**	1,077
General liability	**602**	608	**190**	140
Medical expense	**302**	318	**19**	21
Total material lines of business	**12,961**	13,171	**2,267**	2,010
Non-material	**933**	978	**74**	(187)
Total	**13,894**	14,149	**2,341**	1,823

The main contributors to the result are:

The premiums reduced in the period in all three countries, mainly in Denmark.

The improvement in UW result is driven by an improved underlying claims ratio.

Fire and other damage to property has seen significant positive prior year developments and improved underlying claims ratios.

Motor vehicle liability is predominantly driven by deteriorated prior year development gains.

Income protection is driven by a strong current year result in the Swedish portfolio.

Other motor has benefitted from a continued strong current year underlying claims ratio, mainly from the Swedish Personal Motor portfolio.

General liability improvements are driven by improved underlying claims as well as improved prior year development.

A.2.2 Performance by Geographic Area

An analysis of underwriting performance of the Company for the year ended 31 December 2020 by material geographical area where it carries out business is detailed below:

2020	**Denmark DKKm**	**Sweden DKKm**	**Norway DKKm**	**Total DKKm**
Net Written Premiums	**4,271**	**8,626**	**997**	**13,894**
Net Earned Premiums	4,129	8,483	965	**13,577**
Net Incurred Claims	(2,828)	(5,240)	(808)	**(8,876)**
Expenses	(861)	(1,225)	(274)	**(2,360)**
Underwriting result	**440**	**2,018**	**(117)**	**2,341**

2019	**Denmark DKKm**	**Sweden DKKm**	**Norway DKKm**	**Total DKKm**
Net Written Premiums	**4,446**	**8,638**	**1,065**	**14,149**
Net Earned Premiums	4,413	8,540	1,088	14,041
Net Incurred Claims	(3,847)	(5,178)	(866)	(9,891)
Expenses	(909)	(1,100)	(318)	(2,327)
Underwriting result	**(343)**	**2,262**	**(96)**	**1,823**

The underwriting result is based on a strong result from the Swedish business.

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	2020 DKKm	2019 DKKm
Income from Group entities	**195**	158
Income from associated entities	**7**	6
Interest income and dividends, etc.	**780**	905
Value adjustments	**(719)**	520
Interest expenses	**(8)**	(5)
Investment management expenses	**(61)**	(51)
Total investment return	194	1,533

Interest income and dividends, etc.	2020 DKKm	2019 DKKm
Interest income from Group entities	**7**	5
Interest income from bonds, loans and deposits	**643**	721
Non-taxable interest income	**-**	10
Income from units in open-ended funds and other equity investments	**112**	153
Other interest income	**18**	16
Total investment return	780	905

Value adjustments	2020 DKKm	2019 DKKm
Group occupied properties		-
Equity investments	**(508)**	394
Units in open-ended funds	**(13)**	2
Bonds	**(273)**	145
Other loans	**(25)**	15
Other investment assets	**(3)**	(94)
Total investments	(822)	462
Value adjustments, discounting of provisions for outstanding claims and other unrealised gain and losses	**103**	58
Value adjustments	**(719)**	**520**
Realised gains and losses on investments	**(502)**	(163)
Unrealised gains and losses on investments	**(320)**	625
Other realised gains and losses	**4**	61
Value adjustments, discounting of provisions for outstanding claims and other unrealised gain and losses	**99**	(3)
Value adjustments	**(719)**	**520**

A.3.2 Gains and losses recognised in equity

Losses recognised in equity for the year ended 31 December 2020 amounts to DKK 6m.

A.3.3 Investments in securitisation

The Company has investments in securitisation of approximately DKK 500m.

A.4 Performance of other activities

A.4.1 Other material income & expenses

An analysis of the Group's other material income and expenses for the year ended 31 December 2020 is detailed below:

Other operating income

	2020 DKKm	2019 DKKm
Adjustment on deferred consideration re sale of group occupied property	**-**	8
Other expenses	**(4)**	-
Total other operating income	**(4)**	**8**

The Company does not have any other operating income.

Other Operating Expenses

The Company does not have any other operating expenses.

A.4.2 Operating and finance leasing arrangements

The Company leases various offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Payments made under operating leases are charged on a straight-line basis over the term of the lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020 DKKm	2019 DKKm
One year or less	**117**	131
Between one and five years	**176**	315
After five years	**2**	11
Total	**295**	**457**

The Company has no material finance leases.

A.5 Any other information

Nothing to report.

B. System of Governance

In this section

B.1 General information on the system of governance

B.2 Fit and proper requirements

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

Purpose of RSA's System of Governance

RSA's System of Governance promotes the safety and soundness of the Group for the benefit of shareholders, customers, employees and other stakeholders. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls. The components of the System of Governance result in a clear allocation and appropriate segregation of responsibilities and the effective transmission of information internally.

B.1 General information on the system of governance

B.1.1 Board and Governance structure

The Company's business is overseen by the Board of Directors (the 'Board') that consists of Directors elected by the AGM/shareholder and Employee Representatives appointed by the unions of the employees.

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 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.

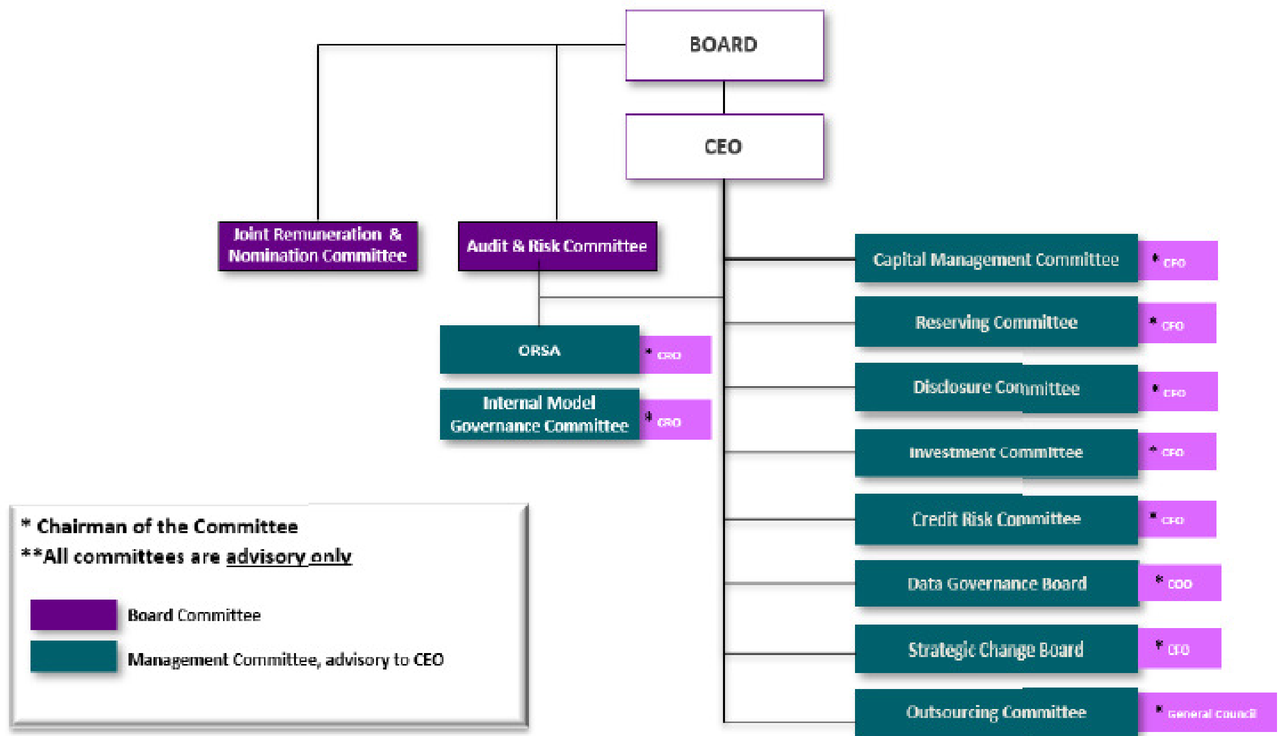
The Board is accountable to stakeholders for the creation and delivery of strong sustainable performance and the creation of long-term shareholder value. The Board meets frequently in accordance with the Rules of Procedure for the Board and is responsible for organising and directing the affairs of the 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 operates on the basis of a business operating model and 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.

The Board has established two advisory committees: The Audit & Risk Committee and the Nomination & Remuneration Committee as required by Danish financial regulation. As stipulated by applicable Danish law, the Committees are not authorised to make any independent decisions. The Committees report to the Board of Directors and do not affect the Board's authority or responsibilities. The Audit and Risk Committee is responsible for the oversight of the effectiveness of the systems of internal control, financial and regulatory risk management systems, and for monitoring the effectiveness and objectivity of the internal audit.

The Board has appointed a Board of Management, which is the registered management of the Company. In 2020, the Board of Management consists of the Chief Executive Officer and the General Counsel & Company Secretary. In addition, a Senior Executive Team ('SET') has been appointed, which consists of the Chief Financial Officer, the Chief Risk Officer, the Nordic Underwriting Director, the Human Resources Director, the Chief Information Officer, the Chief Auditor, the Chief Operating Officer, and the Country Managing Directors along with the Board of Management. Furthermore, the Chief Executive Officer has established Management Committees that serve to assist the Chief Executive Officer in making informed decisions. The Management Committees do not have any decision authority and are only advisory to the Chief Executive Officer. Each committee has its own scope or Terms of Reference defining its role and the authority delegated to it.

The relationship between the Board of Directors, the Board of Management and the Executive and Management Committees are shown below:



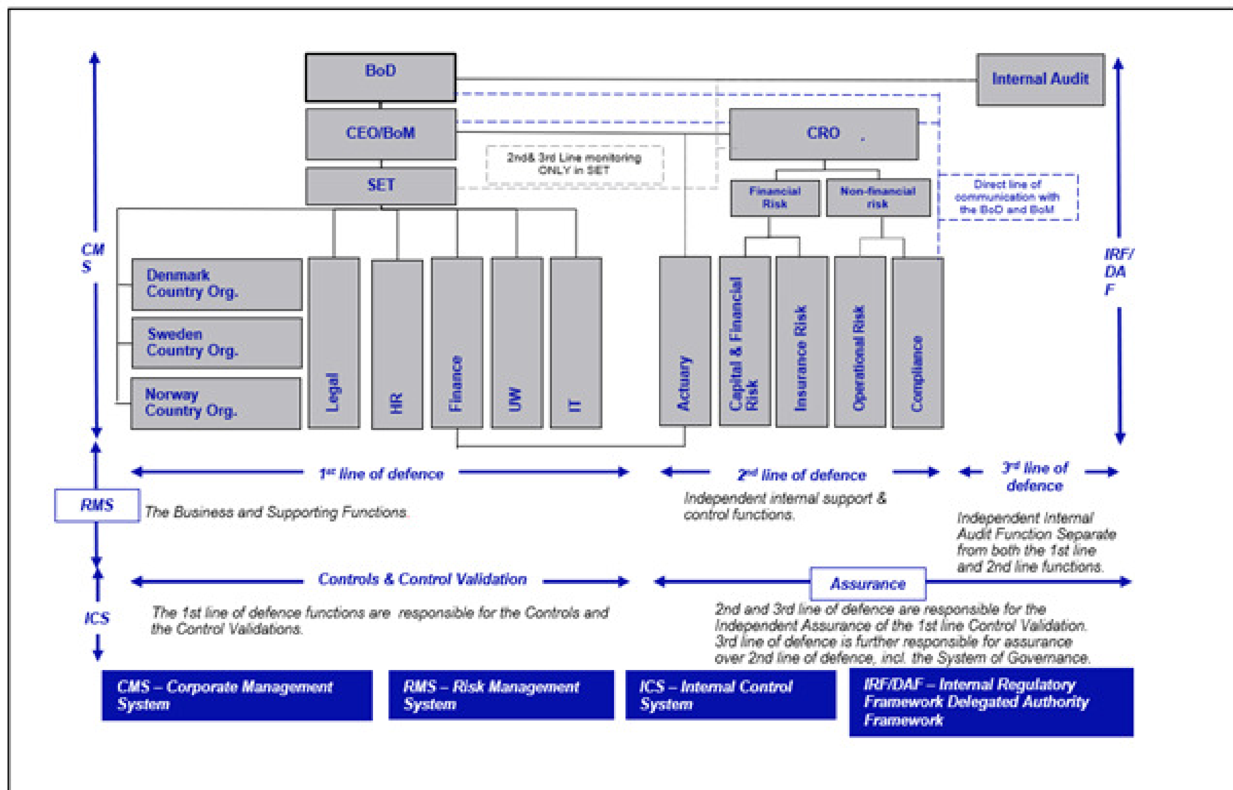
B.1.2 Independent key governance functions

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 functions 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:

System of Governance



B.1.3 Changes in system of Governance

During 2020 the risk management and compliance function performed an internal restructuring to support a more holistic risk view. The enterprise risk management (ERM) team was merged with the compliance team to focus on all non-financial risks and their interconnections. Further, the insurance risk team was merged with the financial and capital risk team to focus on all financial risks and their interconnections.

B.1.4 Principles of remuneration policy

The Company ensures that it has appropriate remuneration arrangements through the adoption of a Remuneration Policy. The Remuneration Policy outlines the overall approach to remuneration, and also the governance framework for making remuneration decisions.

The Remuneration Policy is designed to support the business strategy by appropriately rewarding performance and promoting sound and effective risk management, compliance with external regulatory requirements and alignment to the long-term interests of the Company and its shareholders.

It establishes over-arching principles and standards to guide remuneration decision-making, which is aligned to local market norms and regulations. These principles are based around alignment to long-term company success, pay-for-performance and risk alignment. A total reward approach is used, such that the reward framework includes both fixed remuneration elements (reflecting an employee's professional experience and responsibility, and can include elements such as base salary, benefits and pension), and variable elements (which can be awarded to eligible employees, reflecting performance).

The Remuneration Policy establishes specific remuneration provisions for employees whose professional activities have a material impact on the risk profile or have responsibility for Key Governance Functions. These provisions are intended to promote effective risk management and include:

- the balancing of fixed and variable remuneration to enable a fully flexible approach to incentives (including the possibility of paying no variable remuneration)
- the design of incentive plans to encourage performance within the Company's risk appetite, including the consideration of material risk factors in award decisions, the operation of deferral and malus adjustment, and the operation of clawback provisions for executives
- the approach to remuneration in the context of employment termination

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.

Governance measures aimed at avoiding conflicts of interest are incorporated.

The Policy is reviewed regularly, to ensure that it complies with the principles of good risk management and reward governance, taking into account regulatory requirements and the nature of the business.

B.1.5 Variable remuneration 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 section B.1.4. (Please also refer to note 26 in the Company's 2020 Annual Report and Accounts).

For employees 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 employee 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 Companies' pension schemes are based on defined contribution schemes and not on defined benefits schemes, but there is a defined benefit scheme in Sweden based on the participation in collective agreements. 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

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 in the major events sub-section (management's review section) of the Company's 2020 Annual Report and Accounts.

Dividends

During 2020, the Company distributed DKK 1,750m in dividends to the parent company, Codan A/S.

Other Transactions

The Company undertakes all administrative tasks for the parent company, Codan A/S.

The Company has paid for the joint use IT systems and the Company's share of joint services in the RSA Group. Payments were made on a cost-covering basis.

During 2020 the company has settled a DKK/SEK hedge of DKK 828 million with the ultimate parent company Royal & Sun Alliance Insurance Plc. The Hedge was agreed on an arm's length basis. Total net book value of intercompany hedges (liability) amounted to DKK 0.0 million in 2020 (3.4 million in 2019).

For 2020, the Company has renewed a quota share reinsurance agreement which covers 100% of the Company's exposure towards the marine hull portfolio related to insurance contracts written in 2020. The treaty is placed with Royal & Sun Alliance Insurance plc on market terms and the Company receives commission.

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, and the Board of Management and members of Senior Executive Team as well as the heads of the key governance functions.

The Board assesses that it has the appropriate balance of skills, experience and knowledge to enable it to discharge their duties and responsibilities effectively. The Board considers the skills, experience, independence and knowledge already represented when making decisions on new appointments. One of the key responsibilities of the Joint Nomination & Remuneration Committee is to review Board membership and succession planning to ensure that the balance remains appropriate.

B.2.2 Assessment process

Fit requirements

The assessment of 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 includes 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, or insurance activity
- Laws on money laundering, market manipulation, or insider dealing and other relevant legislation
- Criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Description of the risk management system

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 the Risk Management function 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 by risk category, with 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 are identified through a range of activities which include policy and control design; stakeholder scenario workshops (attended by internal and where appropriate external subject matter experts); risk mapping, and an analysis of risk incidents including a root cause analysis. The identified risks, including emerging risks where applicable, 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, and whether there is an appropriate action plan.

Risk measurement

Once risks have been identified, the business updates 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 probability and impact matrix.

Significant risks are periodically reviewed for potential inclusion in the Internal Model.

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 assigned owner to bring the risk within appetite within a reasonable timeframe.

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

Outputs of the internal model are used by the ORSA Committee and the Board of Directors as an integral part of its decision making, to setting the risk appetite, adjusting investment exposure and hedges, reinsurance strategy, insurance portfolio risk assessment, and 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 RSA 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) for itself and some of its subsidiaries, including the Company. Further, the Internal Model to be used for Codan SCR from January 1, 2021 (Brexit model) including Major Model Changes submitted in 2019 and 2020 was approved in second half of 2020. Simultaneously, the approval of the Brexit model was extended to March 2021.

Given the Brexit transition period ends January 1, 2021 a sub-group1 supervision lead by the Danish Financial Supervisory Authority (DFSA) which is required from 2021. Consequently, the Internal Model needs approval on a subgroup level. An application has been submitted in June 2020 and was approved by the DFSA in December 2020.

Apart from being used to calculate the SCR, the Internal Model is also used to inform the business decisions as helping to assess reinsurance purchase, evaluate the impact of e.g. investments, strategic decisions and allocate capital to individual lines of business facilitating thereby a risk-based profit and loss attribution.

The model has 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

[1] The Codan Group is the consolidation of Codan A/S, Codan Forsikring A/S, Privatsikring A/S and Holmia Livförsäkring AB.

		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 recommends program of model improvement including enhancing uses of the model
Undertakes program 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 IMGC 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

There were no material changes to the internal model governance during the reporting period.

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. The main validation activities are set by the Company's Internal Model Validation Policy.

Validation is 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, Profit & Loss 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 Own Risk and Solvency Assessment Process

During the year, the Board considers a range of activities carried out at different times as part of the Own Risk and Solvency Assessment (ORSA) process.

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

- the internal model is fit for purpose
- the level of capital required to support those risks
- the quality of capital available
- 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 the annual cycle are supplemented by ad hoc assessments of the impact of external events, emerging trends, significant risk events, and breaches. In 2020 this was the case due to Covid-19.

B.3.4 ORSA Review and Approval

Reports covering individual elements of the ORSA are presented to the Senior Executive Team (SET) and the Board throughout the year.

A final report is presented to the SET and Board, and actions and associated decisions deriving from the Board's risk and solvency assessment, are tracked 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 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 which is subject to assurance through the Financial Control Framework ('FCF'), including 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 are provided to these bodies by the 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 the relevant control related committees. Key issues identified in these 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 embedded into 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 require the Company to have a Compliance Function.

The purpose of the Compliance Function is to ensure and oversee 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 a 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 relevant FSA's (Danish, Swedish and Norwegian) and the Company.

By applying a risk-based approach the Compliance Function establishes, implements and maintains an Annual Compliance Plan setting out the compliance work to be undertaken in the upcoming year based on key compliance risk areas. 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 (GIA) is an independent and objective function reporting to the Board of Directors. The Chief Auditor has a primary reporting to the Chairman of the Audit & Risk Committee, 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 Audit & Risk Committee without management being present. The Chief Auditor has direct access to the Chairman of the Audit & Risk Committee as well as 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-month 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 Audit & Risk Committee and the Board for review and approval. The six-month 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, the Audit & Risk Committee and RSA Group Internal Audit's assessment of various "planning lenses" which include fraud risk, culture trends and emerging issues that could impact the organisation.

The Internal Audit Function's coverage of the business is 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 Audit & Risk Committee. The Chief Auditor will review and adjust the plan, as necessary, in response to changes in the business, risks, operations, programs, systems, and controls. Any material changes from the audit plan will be communicated through quarterly reporting to the Audit and Risk Committee for approval. When necessary, Internal Audit may conduct audit engagements which are not included in the audit plan, these may be carried out without notice. In addition to the six-monthly rolling audit plan that is reviewed and approved by the Audit and Risk Committee, the Chief Auditor ensures that the function has a multi-year outlook in line with the Company's strategic and operational plan.

The Chief Auditor will ensure that Internal Audit has the appropriate budget and resources and that Internal Audit collectively has the skills and capabilities to effectively deliver on its purpose and mandate. This includes consideration of trends and emerging issues that could impact the organisation. Where appropriate, independent internal or external co-sourced resources may be engaged to supplement the core team and deliver all or part of an audit engagement.

Annually, the Chief Auditor provides the Audit & Risk Committee with an assessment of the skills and capabilities required to conduct the work needed, and whether the budget is sufficient to allow the function to recruit and retain staff with the expertise and experience necessary to provide effective challenge throughout the Organisation and to Executive Management. The Audit & Risk Committee is responsible for approval of Group Internal Audit's plan and budget, and reviews and confirms annually that Internal Audit is staffed appropriately and operating effectively.

Compliance of audits with the professional standards is monitored within Internal Audit through an independent quality assurance process, outsourced to Deloitte and operated on a continuous basis. The function is governed by an Internal Audit Charter which sets out the function's role, mandate and authority, and includes independence and objectivity criteria.

B.5.2 Independence and objectivity

GIA must be independent from management at all times in order to be effective in delivering on its purpose and mandate. Internal auditors shall have no operational responsibility or authority over any business activities, day-to-day risk management or control activities. 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, seconded to or was previously responsible for (auditors must refrain for a period of at least 12 months)
- auditing an area where an individual has a close relationship with one of its staff (e.g. partner, family member)

Independence and objectivity may also be impaired if an individual is approached about, or receives, an offer of employment from an area that they will be, or are, auditing. To prevent undue influence, the Chief Auditor must be advised of any approach and has the option to defer the offer for up to six months following completion of the audit.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed immediately to the Chief Auditor, who will determine whether the Audit Committee will need to be informed.

Audit activity will remain 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.

The Chief Auditor reports, at least annually, to the Audit Committee on the independence of the 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 signed by all members of GIA. The Chief Auditor will disclose any interference and its implications to the Group Board via the Audit Committee.

Where the tenure of the Chief Auditor exceeds seven years, the Audit Committee will discuss the Chairman of the Audit Committee's assessment of the Chief Auditor's independence and objectivity. Thereafter the Audit Committee will consider the Chief Auditor's independence and objectivity annually.

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 reviewed and approved by the Board at least annually 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. Outsourcing of a Key Governance Function shall always be categorized as Outsourcing of a Critical or Important Activity.
- Requirements for decision basis including due diligence when choosing the service provider
- Contractual requirements to all outsourcing agreements
- Control requirements, including Control Plan describing all relevant audits and controls, specifications of business continuity and exit
- Notification and filing requirements including notification of the Danish FSA
- 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 BoD has delegated the authority to assess whether or not any Outsourcing is to be categorized as Outsourcing of a Critical or Important Activity to the CEO with support and advice from the Outsourcing Committee. The Outsourcing Committee is advisory to the CEO as well as to the business, and its primary function is to evaluate if a contemplated outsourcing constitutes Outsourcing of a Critical or Important Activity. The Outsourcing Committee has been established with the purpose of providing a forum to share best practices and knowledge between General Counsel/Legal, Enterprise Risk Management, Compliance, and Indirect Procurement 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 the Procurement function.

An annual report of the performance and assurance that the outsourcing providers continuously comply with applicable legislation and requirements is reported to the Board. An immediate report of any breaches, which could provide basis for termination of the outsourcing agreement or which materially affects the operations of the Company is reported to the Board and the CEO

For governance purposes, for each outsourcing agreement, a specific procedure for monitoring, controlling and reporting is established. If outsourcing of a critical or important function or process is to take place, such procedures must be approved by the Board in connection with the Board's approval of the outsourcing agreement. The Compliance Function monitors and reviews adherence with applicable regulations.

B.7.2 Outsourcing arrangements

The Company has entered into a number of outsourcing agreements with both internal as well as external partners.

The service types outsourced include:

- Claims handling
- Investments
- Finance related services (incl. accounting services)
- IT infrastructure services and other IT related services such as application development and maintenance
- Payroll services
- Support relating to maintenance of the Internal Model

Some of these services have been deemed critical or important by the Company. In addition to the regular monitoring of the outsourcing partner by the CEO, the outsourcing is reviewed as an operational risk which is monitored by the Risk function and further described in section C.5.

B.8 Any other information

B.8.1 Adequacy of system of governance

The adequacy 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 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

In this section

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

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, refer to QRT S.25.03 (in appendix).

C.1 Underwriting risk

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 committee 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.

The underwriting and claims policies define the controls implemented to manage the Company's 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 ORSA Committee. 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 (Portfolio Reviews). 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 Risk and Control Committees and the ORSA Committee.

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

Stress and Scenario Testing is undertaken with continuous interaction with senior management and formally reported via the ORSA report.

Risk Profiling is undertaken and is reported through the Risk and Control Committees, ORSA Committee 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 Scandinavian Exposure Management Committee 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 Management Policy process. Underwriting and Claims functions monitor the progress of Remediation Plans. These are reported to the Risk and Control Committee and ORSA Committee, with overdue items escalated to the Group Senior Claims Underwriting and Reinsurance Management forum.

Breaches of controls are escalated and reported, with material Risk Events escalated to the Risk Function. The Insurance Risk team perform assurance reviews of the processes and controls pertaining to Underwriting and Claims in the risk management framework and results are reviewed and managed via appropriate Risk & Control Committees.

Reserve risk

The Company has a Reserving Committee chaired by the Chief Financial Officer, 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. 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 such as asbestos, the outcome of litigation on claims received, failure to recover reinsurance, unanticipated changes in claims inflation and Covid-19
- The views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers
- 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)
- **Claims Management Risk** - Financial losses through ineffective claims management processes

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

C.1.4 Application of the prudent person principle

Not applicable to underwriting risk.

C.1.5 Material risk concentrations

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

C.1.6 Risk mitigation

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 functional Risk Committees and to the BRC. 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 Performance
- 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. 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 cloud burst, windstorm, flood, or earthquake.

Through the RSA Group, the Company participates in the purchase of significant catastrophe cover, buying to a minimum return period of 1:200 years. All catastrophe reinsurance is placed with reinsurers with a Standard & Poor's credit rating of 'A-', or better. The RSA Group Catastrophe Treaty protects all the RSA Group entities, including the Company.

C.1.7 Risk sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all categories of material risk.

C.2 Market risk

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, exchange rates and derivatives 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 several 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 Company's 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 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.

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 operates in a number of countries. Accordingly, its net assets are subject to foreign exchange rate movements. The Company's primary foreign currency exposures are to SEK, NOK, EUR, and USD. If the value of DKK strengthens then the value of non-DKK net assets will decline when translated into DKK and consolidated.

The Company incurs exposure to operational currency risk by holding investments and other assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies) the Company's primary foreign currency exposures are to SEK, NOK, EUR, and the USD.

Operational currency risk is managed by broadly matching assets and liabilities by currency.

Structural currency risk is further managed through foreign exchange forwards and foreign exchange swap contracts within the limits that have been set. In managing structural currency risk, the needs of the Company to maintain net assets in local currencies to satisfy regulatory solvency and internal risk-based capital requirements are taken into account. These assets should prove adequate to support local insurance activities irrespective of exchange rate movements.

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 both market risk and liquidity risk policies that set out the minimum requirements for the identification, measurement, management, monitoring and reporting of market risk, liquidity risk and credit risk arising from investments for the Group'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). It must also be able to show that it has appropriate systems and controls to hold and manage any such investments.

The Company follows a high quality, low risk investment strategy with limited exposure to higher volatility investment classes such as equities. 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 limited holdings in equities. At 31 December 2020, the Company held over 75% of the fixed income portfolio in 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 fixed income portfolio of the Company is predominantly investment grade with more than 95% of bonds held rated BBB or higher at 31 December 2020.

The prudent person principle 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.

C.2.5 Material risk concentrations

The Company's investment portfolio consists predominantly of high quality, investment grade, fixed income assets broadly 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. Credit risk exposure is mitigated by the high-quality nature of the portfolio with more than 95% investment grade and more than 90% 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 limited 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 of benchmarks which are established to provide a broad match to liabilities. Exposures are monitored by the Investment Committee and by relevant Company Committees.

The Company also mitigates its exposure to currency risk through partial hedging of its surplus through a combination of foreign exchange forward contracts.

The Company may use derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates, equity prices and long-term inflation. The Company adopts a low risk approach with risk mitigated through use of tight risk limits and regular monitoring against this. The Company does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the Board.

The Company invests in assets that are not regularly traded such as funds investing in corporate loans and infrastructure loans. The management of these assets is outsourced to third party fund managers and the underlying exposures are subject to regular independent valuations. In addition, a number of committees including the Investment Committee review the exposures on a regular basis to ensure they remain within the company's Risk Appetite.

Refer to the Risk Management System in Section B3 for a description of how the Group 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 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).

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

- Reinsurance
- Investments is governed in the market risk policy
- Insurance operations

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 Board 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.

The Company is 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 a investment's credit rating agency rating and/or an analyst buy, sell, hold opinion

- **Credit spread risk** - defined as the spread in returns between Treasury and/or Government securities and/or any non-Treasury security that are identical in all respects except for the quality of the credit rating of the non-Treasury 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. No significant changes during the reporting period.

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 licenses.

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

Market risk concentrations are detailed below:

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

- Reinsurance Counterparties
- Investment Counterparties

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:

C.3.6.1 Reinsurance credit risk management

Mitigation techniques

- **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** - 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
- **Appropriate Metrics** – 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
- **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
- **Risk Mitigation techniques** - 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

C.3.6.2 Investment credit risk

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 90% in securities rated 'AA' and above and less than 1% 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.3.6.3 Insurance operations credit risk

Mitigation techniques

- **Debt reconciliations** - Outstanding balances from the general ledger have to be agreed to supporting documentation and overdue payments are chased
- **Completion of due diligence activities** – Each business must confirm material facts about the counterparty by reviewing several elements such as annual and quarterly financial information for the past three years, financial projections, Capital structure, list of top ten suppliers and history of the past two fiscal years (including current year to date)
- **Credit terms are set for each counterparty** - Each business must set credit terms prescribed by Group according to the nature and credit standing of each counterparty. These criteria and the acceptable credit terms are documented on the Insurance Operation Credit Risk policy
- **Procedures for loans and insurance of mortgages** – Each business must put in place procedures that govern the credit assessment of granting of loans to counterparties and the insurance of mortgages

Monitoring process

All operations have to provide the following on a quarterly basis:

- Aged debtors and balances
- Breakdown of debtors
- Aged debtors variance analysis
- Major credit concentrations by counterparty, counterparty groups. or connected counterparties
- Key Performance Indicators – debtor days (movement against prior quarter and prior year).

C.3.7 Risk sensitivity

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

The Company is not exposed to any significant counterparty default credit risk sensitivity that is considered plausible. Historically, the Company has not had to write off any significant balances due to counterparty default.

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
- 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

There have been no material changes to the measures used to assess risks during 2020.

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 liability duration.

The Company adheres to a liquidity policy 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 rolling 12 months 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 1,605m.

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's 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 and Internal Controls Policy sets the requirements for 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 are used to support the 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
- external and internal incidents, which are supported by root cause analyses where appropriate

Once material risks have been identified, the business function updates 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 assigned 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 at appropriate Risk and Control committees.

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 charge assessment.

Risk	Description
Inappropriate Underwriting	Failure (of the firm or management) to exercise appropriate levels of oversight on sales practices being adopted by individuals or related entities authorised to represent the firm or distribute its products and services directly to the market, risks underwritten outside of appetite or with little or no margin.
Compliance failure or regulatory Breach	Failure to meet the regulatory requirements or implementing changes to regulation as set out by the PRA and FCA or responding to changes in attitudes/approach by the regulator. Regulatory breaches, inadequate sanctions systems, processes or failed sanction controls or other prudential failures that cause detriment to customers, clients or significant trading partners.
Internal fraud and/or theft	Fraud committed by a staff member, either individually or through collusion, by deliberately overriding internal controls or through weaknesses in existing controls and processes.
Theft or Corruption of Data	An external party attacks the firm's IT infrastructure with the purpose of defrauding the firm, corruption of data, destroying systems, theft etc., through deliberate, malicious, theft and misuse of service/electronic assets and/or cyber-attack, hacking or viruses. A firm loses or discloses customer records/personal details as a result of staff negligence or loss of mobile media devices.
Pricing errors	The company is reliant upon a number of different capital and actuarial models and rating engines to calculate pricing. Incorrect rate or price calculations for products and transactions could result from errors in pricing models and structures.
Legal/Legislative Non-Compliance	It is possible the firm could interpret legislative changes inappropriately/ erroneously, resulting in excluding crucial T&Cs (from non-insurance policy contracts) leading to negative reputational consequences and/or change in business practices/ decisions. The firm could also fail to comply with changes in legislative requirements, including: supervisory directives, market directives, accounting practices, taxation requirements or other requirements issued by relevant authorities within prescribed time. Also included are facilitation or receipt of bribes/ inducements to secure business/ opportunities, acting in a way considered anti-competitive.

Payment error	A payment made to a client, customer, vendor or business partner is made in error (i.e. in amount or recipient), or is a potential duplicate payment. These may or may not be recoverable, hence a potential significant impact on profitability.
Business Interruption from physical disaster and/or system outage	A disaster event causing damage or disruption to business operations, assets, utilities and third parties. Systems (software or hardware) failure resulting in staff being unable to use critical systems to work , lack of service provision to customers and other relevant parties
Failure to manage, monitor and assess material third parties, including outsourced arrangements	Failures of third parties, outsource suppliers and delegated authorities; to provide the (level of) service contracted. 'Outsource' includes breach of contract; third party fails to deliver against contractual requirements or corporate failure and would cease trading. This could occur through any third party – brokers, claims partners, other service providers.
Errors in Management Information, leading to incorrect accumulation and geo-coding errors	Inaccurate, misleading or false information communicated to senior management or shareholders, leading to accumulation and/or geocoding errors, with an adverse impact on the firm; - Incorrect/inaccurate data inputs results in a large geographical location being over exposed from an underwriting capacity perspective. Drivers may include geography, trades, policy covers etc.
Inappropriate / inadequate product development	RSA designs, develops and releases a new Commercial product which contains incorrect/inaccurate policy information, or the associated policy documents have been checked manually but are subject to human error. The outcome of these results in a significant hit on current year profitability, including pricing and claims reserving.
Programme transformational change	A major project critical to strategic business objectives is running behind schedule, incurring additional unbudgeted costs or earning below expected returns.
Loss of a material reinsurance payment	Employees fail to correctly execute reinsurance (treaty) contracts (not executed at all or disputed by reinsurer) resulting in lack of cover for large exposures and failure to recover funds from a large loss.
Financial reporting and accounting errors	Inadequate financial processes that result in financial accounting and or reporting errors and misstatement of financial accounts. In relation to Financial reporting and accounting errors risk, during the year a balance sheet remediation programme in Sweden led to an adjustment of DKK 266m to insurance debtors. For further details see section "Correction related to Swedish debtors" under Management´s review in the Annual Report for 2020. The operational risk profile was not changed as a result of this programme.

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 and Internal Control 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 and Internal Control 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 operation of the policy framework is detailed in the risk management system detailed in the system of governance. Worthy of note are the following:

- Second line review and challenge first line control and control validation activities in order to provide assurance that the controls and associated validation are designed and operating effectively and sufficiently mitigate the risk to bring within appetite
- Policies are subject to an annual review, led by the line 1 owner and supported by the risk function. Any change is subject to review, challenge and agreement from the ORSA Committee
- Policy owners must ensure that the minimum requirements and controls defined in the policies are in place across business functions to meet the requirements of the policy
- Requests for variation, risk acceptance and/or remediation plans agreed must follow the Policy Management Lifecycle

The business manages 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 transforming 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 at Risk Committees. Action plans include assigned owners, actions to be followed and delivery dates.

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

- review the reports presented to the Risk & 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 ORSA 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
- consider the impact of any emerging risk reviews, scenario tests or other deep dives on the risk profiles

The business maintains and reports 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
- 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

C.6.1 Other material risks faced

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 of several scenarios on own funds, 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 2020, the key scenarios investigated related to underwriting (including cyber risk), macroeconomic, operational (including cyber risks) and climate change (asset and liability impact). Similarly, a reverse stress test was conducted. The reverse stress test on one of macroeconomic scenarios is constructed to breach the SCR singlehandedly. While reverse stress test aims to breach the SCR per definition, the macroeconomic scenario is based on the regulators impact expectation related to a deep lengthy recession of a global scale.

D. Valuation for Solvency Purposes

This section sets out the basis of preparation and assumptions used in the valuation under SII of the assets, technical provisions and other liabilities of for each material class.

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

The valuation of assets and liabilities for SII begins with statutory values and adjusts these for specific differences between SII and statutory. Where there are such differences between the SII and statutory bases of valuation, these are described in Sections D.1 – D.4. For assets and liabilities where valuation is carried out on the same basis under statutory and SII, a description of the basis of preparation can be found in the accounting polices section and notes to the Annual Report and Accounts.

	Financial statements value	Reclassification	SII valuation adjustments	Solvency II value
	DKKm	DKKm	DKKm	DKKm
Goodwill and intangible assets	1,267	-	(1,267)	-
Property, plant & equipment held for own use	301	-	(5)	296
Investments (other than assets held for index-linked and unit-linked contracts)	35,646	249	-	35,895
Holdings in related undertakings, including participations	974	-	-	974
Equities	1,594	-	-	1,594
Bonds	31,523	249	-	31,772
Collective Investments Undertakings	1,315	-	-	1,315
Derivatives	240	-	-	240
Loans and mortgages	1,381	-	5	1,386
Reinsurance recoverables	847	-	(153)	694
Insurance and reinsurance receivables	385	-	5	390
Cash and cash equivalents	799	-	-	799
Any other assets, not elsewhere shown	795	(249)	(3)	543
Total assets	**41,421**	**-**	**(1,418)**	**40,003**
Technical provisions	29,586	-	(1,797)	27,789
Provisions other than technical provisions	77	-	-	77
Pension benefit obligations	1	-	-	1
Deferred tax liabilities	177	-	125	302
Debts owed to credit institutions	1,008	-	-	1,008
Insurance and reinsurance payables	189	76	-	265
Payables (trade, not insurance)	1,372	(229)	-	1,143
Any other liabilities, not elsewhere shown	593	152	-	745
Total liabilities	**33,003**	**-**	**(1,672)**	**31,330**
Excess of assets over liabilities	**8,418**	**-**	**254**	**8,673**

D.1 Assets

D.1.1 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 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 method 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 (described as ‘economic valuation’) 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 27 July 2015, no 688 of 1 June 2016 and no. 1442 of 3 December 2018 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). Therefore, the valuation of assets and liabilities for Solvency II purposes begins with the values from the financial statements and adjusts these for specific differences in valuation between Danish GAAP and Solvency II. 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

Goodwill

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Goodwill should be valued at nil	DA Art 12(1)	Goodwill is reported as an asset in the balance sheet however should be valued at nil for Solvency II reporting. Any goodwill reported for Danish GAAP purposes are eliminated in the Solvency II balance sheet, with corresponding adjustments to deferred taxes.

Intangible Assets

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Intangible assets are ascribed a value only where they can be sold separately and the insurer can demonstrate that there are quoted prices in an active market for the same or similar assets, in which case the asset shall be valued in accordance with the valuation hierarchy.	DA Art 12(1)	There are a number of intangible assets recorded on the Company's balance sheet, including renewal rights, customer lists, brands, software development costs and other acquired identifiable non-monetary assets without physical form. Intangible assets are amortised over their estimated useful lives and are subject to impairment test whenever indicators of impairment exist. The Company's intangible assets are not deemed to be capable of being sold separately and certainly do not have quoted prices on an active market (nor do such prices exist for similar assets); they are therefore valued at nil in the Solvency II balance sheet, with corresponding adjustments to deferred taxes.

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. Only a positive value shall only be ascribed to deferred tax assets where it is probable that future taxable profits will lead to the realisation	DA Art 15 GL Valuation (Final Report) – Table	The valuation method 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

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 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.		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. 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 a Solvency II valuation basis. These adjustments are considered in assessing the temporary differences upon which the deferred taxes are derived. The key valuation adjustments which impact the estimate of deferred taxes for Solvency II purposes are: • elimination of goodwill and intangible assets • adjustments to technical provisions valuation • recognition of contingent liabilities • revaluation of plant and equipment (for own use) See Section D.1.2 for more information on deferred tax.

Pension Benefit Surplus and Deficits

Solvency II Guidance	**Solvency II Reference**	**Valuation methods and assumptions**
The requirements of IAS 19 are considered to be consistent with Solvency II's requirements. In practice, IAS 19 requires pensions obligations to be calculated on a best estimate liability (with no risk margin) discounted at a corporate bond rate. This is likely to lead to a lower valuation that would result from applying a model based on the Solvency II valuation principles for insurance liabilities (such as deferred annuities) which, under Solvency II, would be discounted at a risk-free rate and would include a risk margin.	GL Valuation (Final Report) - Table	The valuation methods and assumptions for pension schemes are the same under Danish GAAP and Solvency II. Contributions to defined contribution pension schemes are charged in the period in which the employment services qualifying for the benefit are provided The value of the net defined benefit liability (asset) recognised in the Solvency II balance sheet for each individual post retirement scheme is calculated as follows: • The present value of defined benefit obligation of the scheme at the end of the reporting period; and • Minus the fair value at the end of the reporting period of the scheme assets out of which the obligations are to be settled directly. The present value of defined benefit obligations and the present value of additional benefits accruing during the

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
		period are calculated using the Projected Unit Credit Method The calculation of the present value of accrued benefits includes an actuarial assumption of future interest rates, which is used to discount the expected ultimate cost of providing the benefits. The discount rate is determined at the end of each reporting period by reference to current market yields on high quality corporate bonds identified to match the currency and estimated term of the obligations. For those individual schemes in deficit, the resulting net liabilities are recognised in the statement of financial position in provisions For those individual schemes in surplus, an asset is recognised in the statement of financial position in other debtors and other assets to the extent that the company can realise an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the scheme or when the scheme liabilities are settled The amounts charged (or credited where relevant) relating to post retirement benefits in respect of defined benefit schemes are as follows: • The current service cost • The past service costs and gains or losses on settlements • Net interest on the net defined benefit liability (asset) • Administration costs of operating the pension schemes Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)). Actuarial gains and losses arise from changes to actuarial assumptions when revaluing future benefits and from actual experience in respect of scheme liabilities.

Property, Plant and Equipment

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Property, plant and equipment shall not be valued at cost less depreciation and impairment. EIOPA's Final Report on Guidelines on recognition and valuation of assets and	GL Valuation (Final Report) - Table	Property and equipment comprise group occupied land and buildings, fixtures, fittings and equipment (including computer hardware and motor vehicles). Group occupied property (land and buildings) is stated at fair value and other property and equipment is stated at depreciated cost

liabilities other than technical provisions indicates that the revaluation model in IAS 16 should be applied (even where the alternative cost model is used for accounting purposes). This model requires that valuations shall be made 'with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value'.	for Danish GAAP reporting. For all other property and equipment including lease assets recognised under IFRS 16, Danish GAAP values are assumed to approximate fair value, except in specific instances where an adjustment is deemed necessary.

Participations and Related Undertakings (subsidiaries, associates and joint ventures)

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Investments in related undertakings (subsidiaries, associates and joint ventures) shall be valued using the following hierarchy: i) Valued based on quoted prices in active markets where such prices are available. ii) Where quoted prices in active markets not available, valuation will be on an 'adjusted equity method' where the value of the investment is determined as the insurer's share of the related undertaking's net assets (based on Solvency II valuation of underlying net assets or, for related undertakings other than insurers where this is not practicable, based on IFRS with the deduction of goodwill and intangibles that would be valued at nil under Solvency II rules). iii) For related undertakings other than subsidiaries, where quoted prices in active markets not available and where it is not possible to apply an adjusted equity method, an alternative valuation method (e.g. mark to model) may be used. Investments in related undertakings that are either excluded from the scope of group supervision due to legal impediments in third countries on the transfer of information of otherwise deducted from group own funds due to the non-availability of the necessary information shall be valued at nil.	DA Art 13 DA Art 335	A 'participation' is a Solvency II term for a holding (direct or indirect) of at least 20% of the voting rights or capital of another undertaking. It can therefore be a subsidiary, an associate or a joint venture. Included here are equity investments. Investments in directly owned subsidiaries and associates are accounted for using the equity method for Danish GAAP reporting. The equity method means that the value is equal to the proportion of equity in the entities which corresponds to the ownership interest and is calculated in accordance with the accounting policies applied by the Company. For Solvency II reporting, investments in participations that do not have quoted market prices (none of them are quoted) are valued using the 'adjusted equity method', i.e. as a share of that participation's excess of assets over liabilities, as valued under Solvency II rules (especially if an insurer). This means that the balance sheet of that participation needs to be adjusted to Solvency II rules before the share of net assets in the investment may be valued (bottom-up approach). If the participation is not an insurance or reinsurance company, the same method as above is to be adopted or, if that is not possible, the equity method in IFRS (with any goodwill and inadmissible intangible assets valued at nil) may be adopted instead. This applies irrespective of whether the participation is in a net assets or net liability position.

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 DA Art 16 Balance sheet QRT LOG (S.02.01)	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 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 that cannot be converted into cash. Premium debtors and recoveries falling due for payment after the balance sheet date are reclassified from receivables to 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 those of the gross balances and the same mapping of Solvency II lines of business is to be used. See Section D.2 for more details.

D.1.2 Analysis of deferred tax

An analysis of deferred tax on a SII basis is detailed below:

	Asset DKKm	Liability DKKm
Deferred tax assets/liabilities	**-**	**302**

The following table sets out the deferred tax assets and liabilities recognised by the Group, split by main categories:

	DKKm
Net unrealised gains on investments	**(214)**
Intangibles capitalised	**46**
Tax losses and unused tax credits	**14**
Accrued costs deductible when settled	**9**
Retirement benefit obligations	**-**
Capital allowances	
Provisions and other temporary differences	**567**
Technical provisions	**(724)**
Net deferred tax position at 31 December	**(302)**

The Company is a part of the mandatory Danish group taxation. At the end of the reporting period, the Danish group taxation has unused tax losses of DKK 130m. The tax losses are not time-barred and a full deferred tax asset at 22% is being recognised. The Danish group taxation expects future profits streams to cover the deferred tax asset from tax losses.

The Swedish branch, Trygg-Hansa Försäkring filial, is taxed in Sweden.

The Norwegian branch, Codan Forsikring NUF, is taxed in Norway. At the end of the reporting period, Codan Forsikring NUF continuing operations have unused tax losses of DKK 905m. The tax losses are not time-barred. A deferred tax asset at 25% is not being recognised as Codan Forsikring NUF do not expect future profits streams less a reasonable margin to cover the deferred tax asset from tax losses. The deferred tax effect of the adjustments from IFRS to Solvency II in the Norwegian branch DKK 69m is not capitalised.

Deferred tax is not provided for contingency funds. The contingency funds are DKK 1,395m in Denmark and DKK 3,942m in Sweden. The one-off taxation on 1 Jan 2021 equal to 6% of gross value of the Swedish contingency funds is provided at 20.6% tax rate as at 31 December 2020.

Deferred tax in Denmark is based at a rate of 22%. Deferred tax in Sweden is based at a rate of 20.6% as at 31 December 2020. Deferred tax in Norway is based at a rate of 25% as at 31 December 2020.

Deferred tax asset recognition

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable.

The deferred tax assets in respect of tax losses are recognised based on future profits. The evidence for the future taxable profits is a three-year forecast based on the three-year operational plans, which are subject to internal review and challenge, including by the Board. The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits and therefore a reasonable margin has been deducted in the value before any recognition of Norwegian deferred tax assets.

Procedure

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.1.3 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 several 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, which are subject to internal review and challenge by senior management and the Board. Where relevant, the forecast includes extrapolations of the operational plan using assumptions consistent with those used in the plans.

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 approximate fair values on the basis that these are short term assets.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

D.2 Technical provisions

D.2.1 Valuation and comparison of Danish GAAP to SII

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.

		SII Net Technical Provisions		
		Best Estimate DKKm	Risk Margin DKKm	Total TP´s DKKm
Direct Business and Accepted Proportional Reinsurance	Medical Expense	91	26	117
	Income Protection	7,712	625	8,337
	Workers Compensation	2,242	189	2,431
	Motor Vehicle Liability	2,858	231	3,089
	Other Motor	655	144	799
	Marine, Aviation and Transport	110	18	128
	Fire and Other Damage to Property	4,126	436	4,562
	General Liability	961	87	1,048
Non-life annuities	Annuities stemming from non-life insurance and contracts and relating to health insurace obligations	1,991	140	2,131
	Annuities stemming from non-life insurance and contracts and relating to insurace obligations other than health insurance obligations	4,147	290	4,437
Immaterial lines of business		7	7	14
Total solvency II technical provisions				**27,093**
Total profit margin				**1,646**

D.2.2 Basis of preparation of technical provisions

Under SII, 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 and bound but not incepted business on a best estimate basis, offset by effect of lapses and 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.

Cash flows are discounted for the time value of money using volatility adjusted 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 - 'BNI' 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. As claims run off, a higher proportion of long tail, e.g. liability, claims remain which require a proportionally higher level of capital to support them. The method used reflects the proportionally increasing levels of capital required in the future.

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. Major 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; 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.

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 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

However, since March 2020, the Company has applied

- the Volatility Adjustment referred to in Article 77d of Directive 2009/138. For quantification of the impact of the Volatility Adjustment on the Company's technical provisions and capital position, see QRT S.22.01, included in Appendix [1]

It is noted that we as from this year apply the volatility adjusted yield curve. Impact as at current balance is a reduction of the net TP with 199 mDKK.

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

The Company routinely adjusts the assumptions underlying the calculation of technical provisions in light of emerging trends in the data. Many of these assumptions only have minor impacts on the level of technical provisions reported.

There were no material changes to assumptions.

D.3 Other liabilities

The liabilities as per the Solvency II balance sheet at the valuation date are shown at the beginning of section D.

D.3.1. 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, (Solvency II Delegated Regulation 2015/35) and the guidelines issued by EIOPA on the valuation of assets and liabilities other than technical provisions.

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 II purposes and an explanation of any material differences from the bases, methods and main assumptions used for valuing those liabilities in the financial statements.

See Section D.1.1 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. Upon subsequent measurement of financial liabilities, any changes in own credit risk are not reflected in the fair value. Under Danish GAAP, debtors and payables relating to future premiums are included within insurance and reinsurance debtors and payables. However, under Solvency II, future premiums are included within Solvency II technical provisions as future cash flows. As per the principle of correspondence, the only insurance business to be recognised as ceded is bound business, i.e. business recognised within gross technical provisions. Reinsurance payables are adjusted for amounts that do not meet this criterion, unless the cost is sunk, in which

		case it must be recognised in full.

Contingent Liabilities

Solvency II Guidance	Solvency II Reference	Valuation methods and assumptions
Insurers should recognise 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 DA Art 14(2)	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.

Provisions other than technical 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 GL Valuation (Final Report) - Table	The basis of preparation 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.

See section D.1.3 for details of estimation techniques, risks, and uncertainties relating to assets and liabilities; section D.1.1 for an explanation of the bases, methods and assumptions used for the valuation of deferred tax assets and liabilities; and section D.1.2 for deferred tax analysis.

D.3.2 Liabilities for employee benefits including defined benefit plan assets

Defined benefit pension schemes and other post-retirement benefits

The Company's obligations in respect of defined-benefit plans constitute obligations towards employees in the Swedish and Norwegian branches. The pension risk in the Company related to these plans is in the view of management considered immaterial. The total pension obligation for defined benefit plans amounts to DKK 0.5m.

D.4 Alternative methods for valuation

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

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.

There is no difference between the bases, methods and assumptions used when valuing these instruments for SII purposes and those used for DK GAAP reporting. See Section D.1.3 for a description of the valuation techniques used and how they are assessed.

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 (SCR) and Minimum Capital Requirement (MCR), including any non-compliance with those measures
- 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

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	Deferred tax assets

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 2020
- A deduction for amounts already included in Tier 1 own funds, including ordinary share capital and net deferred tax asset

Capital Composition

The Company's capital structure per 31 December 2020 by tier is as below:

		2020 DKKm	2019 DKKm
Tier 1	Share capital	15	15
	Reconciliation reserve	8,688	8,353
		8,703	**8,368**
Tier 1 Restricted	n/a	**-**	**-**
Tier 2	n/a	**-**	**-**
Tier 3	Deferred tax assets	**-**	**69**
Total Basic Own Funds		**8,703**	**8,437**

Core Tier 1 basic own funds increased to DKK 8,703m in the period, driven by profit and capital generation for the year not entirely offset by dividend payments.

E.1.3 Eligible own funds to cover the SCR

Basic own funds to eligible own funds

SII 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. A Company's basic own funds to eligible own funds reconciliation is shown below:

	Basic Own Funds DKKm	Availability restrictions DKKm	Available Own Funds DKKm	Eligibility restrictions DKKm	Eligible Own Funds DKKm
Tier 1	**8,703**	**-**	**8,703**	**-**	**8,703**
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**
Tier 2	**-**	**-**	**-**	**-**	**-**
Tier 3	**-**	**-**	**-**	**-**	**-**
Total	**8,703**	**-**	**8,703**	**-**	**8,703**
				SCR	**5,233**
				Surplus	**3,470**
				SCR Coverage	**166%**

Non-available Capital

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

Ineligible Capital

The Delegated Act requires that limits are imposed upon the eligible amounts of Restricted Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR and MCR:

- Eligible Tier 1 items shall be at least 50% of the SCR
- Eligible Tier 3 items shall be less than 15% of the SCR
- The sum of eligible Tier 2 and eligible Tier 3 items shall be no more than 50% of the SCR

E.1.4 Eligible own funds to cover the MCR

SII 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
	DKKm	DKKm	DKKm	DKKm	DKKm
Tier 1	**8,703**	**-**	**8,703**	**-**	**8,703**
Tier 1 (R)	**-**	**-**	**-**	**-**	**-**
Tier 2	**-**	**-**	**-**	**-**	**-**
Tier 3	**-**	**-**	**-**	**-**	**-**
Total	**8,703**	**-**	**8,703**	**-**	**8,703**
				MCR	**2,355**
				Surplus	**6,348**
				MCR Coverage	**370%**

Non-available Capital

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

Ineligible Capital

The Delegated Act requires that limits are imposed upon the eligible amounts of Tier 1, Tier 2 and Tier 3 capital, according to the calculation of the SCR and MCR:

- Eligible Tier 1 items shall be at least 80% of the MCR
- Eligible Tier 2 items shall be no more than 20% of the MCR
- Tier 3 items are ineligible to cover the MCR

E.1.5 Differences between equity and net assets

Comparison between Danish GAAP Equity and Solvency II Basic Own Funds

For the material differences between the Company's published Danish GAAP equity, and its excess of assets over liabilities refer to section D. There are no adjustments in arriving at the basic own funds from the excess of assets over liabilities. Danish GAAP equity at year end 2020 was DKK 8,418m, and Solvency II Basic Own Funds were DKK 8,703m.

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 E.1.3 and E.1.4 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

At 31 December 2020 the Company's SCR was DKK 5,233m and the MCR was DKK 2,355m.

E.2.2 SCR split by risk

The Company's Internal Model received approval for use in December 2015. Over the year, a number of changes have been made to the model and latest Major Model Changes to the Internal Model were approved by the regulators in December 2020. An analysis of the Internal Model SCR by risk category is provided in QRT S.25.03 (in the appendix).

E.2.3 Standard formula simplifications

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

E.2.4 Standard formula undertaking specific parameters

Standard formula undertaking specific parameters are not applicable as an internal model is used.

E.2.5 Capital add-on and undertaking specific parameters 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 undertaking specific parameters 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

Information on the inputs used by the undertaking to calculate the Minimum Capital Requirement. Please see Appendix item S.28.01.

E.2.8 Movements in the SCR and MCR

Movements in the SCR

The SCR has increased from year-end 2019 (DKK 4,871m) to year-end 2020 (DKK 5,233m). The increase in the SCR during 2020 is driven by improved spread risk modelling as well as increase in market risk from spreads and a more risky investment mix. The 2021 Operational Plan has further increased the SCR as it allows for costs associated with the partnership with Nykredit, Lokale Pengeinstitutter and Spar Nord through its subsidiary Privatsikring.

Movements in the MCR

The MCR has increased from year-end 2019 (DKK 2,192m) to year-end 2020 (DKK 2,355) following the increase in SCR. As linear MCR is higher than the 45% of the SCR (regulatory capital), the MCR is set at 45% of the Internal Model SCR.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

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.

The Company's risk profile differs significantly from that assumed by the Standard Formula making the latter unsuitable to measure the Company's SCR.

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 Internal Model SCR is split into the following sub-modules:

- Underwriting Risk
- Catastrophe Risk
- Reserve Risk
- Market Risk
- Credit Risk
- Currency 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 100,000 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. In the Standard Formula, different risk types are considered on a standalone basis and explicit correlations are applied to each risk factor to derive an overall capital requirement. The Internal Model is a fully integrated capital model where variables interact to create a distribution of outcomes by simulating future cash flows to perform an annual valuation of each item on the balance sheet.

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 non-life risks and non-life like health risks into three separate categories:

- 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 risk 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 and currency 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 technical provisions 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
- Operational risk loss scenario assessments

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.12.01.02	Life and health similar to life techniques technical provisions
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims information – accident year
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.19.01.21 (Non-life insurance claims information – underwriting year).

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

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

Codan Forsikring A/S

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in DKK thousands)

General information

Undertaking name	Codan Forsikring A/S
Undertaking identification code	213800UE8HIN1CBHT615
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 2020
Currency used for reporting	DKK
Accounting standards	Local GAAP
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.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
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	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	295.981
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	35.998.843
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	1.077.977
R0100	*Equities*	1.593.804
R0110	*Equities - listed*	1.537.816
R0120	*Equities - unlisted*	55.988
R0130	*Bonds*	31.771.713
R0140	*Government Bonds*	9.473.549
R0150	*Corporate Bonds*	21.795.874
R0160	*Structured notes*	0
R0170	*Collateralised securities*	502.290
R0180	*Collective Investments Undertakings*	1.315.357
R0190	*Derivatives*	239.992
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	1.386.790
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	1.386.790
R0270	Reinsurance recoverables from:	694.707
R0280	*Non-life and health similar to non-life*	694.707
R0290	*Non-life excluding health*	691.235
R0300	*Health similar to non-life*	3.472
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	798
R0360	Insurance and intermediaries receivables	305.952
R0370	Reinsurance receivables	85.289
R0380	Receivables (trade, not insurance)	284.910
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	798.790
R0420	Any other assets, not elsewhere shown	180.971
R0500	**Total assets**	40.033.030

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	21.186.633
R0520	*Technical provisions - non-life (excluding health)*	10.335.095
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	9.416.006
R0550	*Risk margin*	919.089
R0560	*Technical provisions - health (similar to non-life)*	10.851.538
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	10.011.292
R0590	*Risk margin*	840.246
R0600	Technical provisions - life (excluding index-linked and unit-linked)	6.601.664
R0610	*Technical provisions - health (similar to life)*	2.130.496
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1.990.844
R0640	*Risk margin*	139.652
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	4.471.168
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	4.176.716
R0680	*Risk margin*	294.452
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	76.955
R0760	Pension benefit obligations	512
R0770	Deposits from reinsurers	26
R0780	Deferred tax liabilities	302.132
R0790	Derivatives	230.641
R0800	Debts owed to credit institutions	1.007.758
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	189.523
R0830	Reinsurance payables	76.128
R0840	Payables (trade, not insurance)	1.143.042
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	515.370
R0900	**Total liabilities**	31.330.384
R1000	**Excess of assets over liabilities**	8.702.646

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	302.840	2.847.779	536.616	1.083.187	3.344.771	526.981	5.105.254	562.876			30.753	8.863					14.349.921
R0120	Gross - Proportional reinsurance accepted		188	3	493		14.053	51.645	66.686									133.067
R0130	Gross - Non-proportional reinsurance accepted																520	520
R0140	Reinsurers' share	380	2.498	449	7.014	10.629	240.064	356.429	27.370			7						644.840
R0200	Net	302.460	2.845.469	536.170	1.076.666	3.334.142	300.970	4.800.471	602.192	0	0	30.746	8.863	0	0	0	520	13.838.668
	Premiums earned																	
R0210	Gross - Direct Business	298.087	2.818.914	535.233	1.099.304	3.337.540	525.085	4.983.066	569.454			32.801	8.021					14.207.505
R0220	Gross - Proportional reinsurance accepted		193	2	496		14.066	63.895	70.156									148.808
R0230	Gross - Non-proportional reinsurance accepted													-8.078		2	1.001	-7.075
R0240	Reinsurers' share	473	2.700	601	6.209	11.000	232.067	337.979	24.501			7		-20			863	616.381
R0300	Net	297.614	2.816.407	534.634	1.093.591	3.326.540	307.084	4.708.982	615.108	0	0	32.794	8.021	-8.058	0	2	139	13.732.857
	Claims incurred																	
R0310	Gross - Direct Business	186.919	1.561.871	379.657	611.715	1.855.689	321.883	3.064.291	246.315			35.307	6.074					8.269.720
R0320	Gross - Proportional reinsurance accepted		4	0	9	0	3.365	9.000	7.018									19.396
R0330	Gross - Non-proportional reinsurance accepted															-224	-679	-904
R0340	Reinsurers' share		-75		14.445	6.766	165.032	218.208	17.742				56			-26	307	422.456
R0400	Net	186.919	1.561.950	379.657	597.279	1.848.924	160.215	2.855.083	235.591	0	0	35.307	6.018	0	0	-199	-987	7.865.757
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	97.997	499.247	189.344	291.789	833.602	105.270	1.253.978	170.898	0	0	5.039	2.817	0	495	-6	-10	3.450.461
R1200	**Other expenses**																	136.622
R1300	**Total expenses**																	3.587.083

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				55.411	38				55.449
R1420	Reinsurers' share									0
R1500	Net	0	0	0	55.411	38	0	0	0	55.449
	Premiums earned									
R1510	Gross				53.829	1.672				55.501
R1520	Reinsurers' share									0
R1600	Net	0	0	0	53.829	1.672	0	0	0	55.501
	Claims incurred									
R1610	Gross				50.175	41.331	-83.338			8.168
R1620	Reinsurers' share									0
R1700	Net	0	0	0	50.175	41.331	-83.338	0	0	8.168
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0	0	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	18.068	-46.579	643	0	0	-27.868
R2500	**Other expenses**									
R2600	**Total expenses**									-27.868

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			SE	NO				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	4.109.911	8.732.272	981.214				13.823.397
R0120	Gross - Proportional reinsurance accepted	97.499	35.569					133.067
R0130	Gross - Non-proportional reinsurance accepted		520					520
R0140	Reinsurers' share	508.486	111.760	24.594				644.840
R0200	Net	3.698.923	8.656.601	956.620				13.312.144
	Premiums earned							
R0210	Gross - Direct Business	4.282.219	8.641.230	939.827				13.863.275
R0220	Gross - Proportional reinsurance accepted	109.738	39.070					148.808
R0230	Gross - Non-proportional reinsurance accepted	2	-7.077					-7.075
R0240	Reinsurers' share	498.281	97.858	20.242				616.381
R0300	Net	3.893.678	8.575.365	919.585				13.388.628
	Claims incurred							
R0310	Gross - Direct Business	2.682.480	4.815.687	678.504				8.176.671
R0320	Gross - Proportional reinsurance accepted	-1.672	15.552	5.517				19.396
R0330	Gross - Non-proportional reinsurance accepted	-890	-14					-904
R0340	Reinsurers' share	356.515	40.572	25.369				422.456
R0400	Net	2.323.403	4.790.653	658.652				7.772.708
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0				0
R0550	**Expenses incurred**	1.178.322	1.859.711	377.196				3.415.228
R1200	**Other expenses**							136.622
R1300	**Total expenses**							3.551.850

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			SE	NO				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	38		55.411				55.449
R1420	Reinsurers' share							0
R1500	Net	38	0	55.411				55.449
	Premiums earned							
R1510	Gross	1.672		53.829				55.501
R1520	Reinsurers' share							0
R1600	Net	1.672	0	53.829				55.501
	Claims incurred							
R1610	Gross	41.358	-83.364	50.175				8.168
R1620	Reinsurers' share							0
R1700	Net	41.358	-83.364	50.175				8.168
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0				0
R1900	**Expenses incurred**	-46.483	641	17.973				-27.868
R2500	**Other expenses**							
R2600	**Total expenses**							-27.868

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**									0	0						0
R0020	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									0	0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						29.759		4.146.957	0	4.176.716				1.990.844		1.990.844
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						0			0	0						0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0		0	0		29.759	0	4.146.957	0	4.176.716		0	0	1.990.844	0	1.990.844
R0100	**Risk margin**					4.177			290.275	0	294.452				139.652		139.652
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**	0	0			33.936			4.437.232	0	4.471.168	0			2.130.496	0	2.130.496

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-66.792	-244.088	-11.224	94.722	179.656	-4.638	517.896	-42.952	0	0	814	-4.754	-37.816	0	0	-1.098	379.724
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-441	-2.395	-587	-4.765	1.594	41.545	-154.678	-10.222			0					10	-129.940
R0150	**Net Best Estimate of Premium Provisions**	-66.351	-241.693	-10.637	99.487	178.062	-46.183	672.573	-32.730	0	0	814	-4.754	-37.816	0	0	-1.108	509.664
	Claims provisions																	
R0160	Gross	157.723	7.953.532	2.252.993	2.811.496	476.981	356.714	3.893.494	1.045.317	0	0	17.363	3.637	6.965	0	0	71.357	19.047.574
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				53.401	0	200.297	439.840	51.986				25	6.895			72.203	824.647
R0250	**Net Best Estimate of Claims Provisions**	157.723	7.953.532	2.252.993	2.758.096	476.982	156.418	3.453.654	993.332	0	0	17.363	3.611	70	0	0	-846	18.222.927
R0260	**Total best estimate - gross**	90.931	7.709.444	2.241.769	2.906.218	656.637	352.076	4.411.390	1.002.365	0	0	18.178	-1.118	-30.852	0	0	70.259	19.427.298
R0270	**Total best estimate - net**	91.372	7.711.839	2.242.356	2.857.582	655.044	110.235	4.126.228	960.602	0	0	18.178	-1.143	-37.747	0	0	-1.954	18.732.591
R0280	**Risk margin**	25.413	625.363	189.308	230.602	144.148	18.322	436.344	87.094	0	0	2.118	710	162	0	0	-249	1.759.335
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	116.344	8.334.806	2.431.077	3.136.820	800.785	370.399	4.847.734	1.089.459	0	0	20.296	-408	-30.689	0	0	70.010	21.186.633
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-441	-2.395	-587	48.636	1.593	241.842	285.162	41.763	0	0	0	25	6.895	0	0	72.213	694.707
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	116.785	8.337.201	2.431.664	3.088.184	799.192	128.557	4.562.572	1.047.696	0	0	20.296	-433	-37.584	0	0	-2.203	20.491.926

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											393.975	393.975	393.975
R0160	2011	4.392.821	2.865.815	886.030	594.962	132.896	123.030	124.230	62.142	50.606	61.782		61.782	9.294.315
R0170	2012	3.881.314	2.524.740	741.342	400.431	213.171	146.941	73.707	65.251	65.358			65.358	8.112.257
R0180	2013	4.147.270	2.947.552	818.949	315.722	228.762	102.251	69.069	66.542				66.542	8.696.116
R0190	2014	3.948.082	2.496.404	704.224	309.504	180.622	104.212	93.934					93.934	7.836.982
R0200	2015	3.948.826	2.411.683	807.136	246.774	150.659	142.233						142.233	7.707.312
R0210	2016	3.857.414	2.420.711	723.525	290.266	200.009							200.009	7.491.924
R0220	2017	3.852.174	2.406.868	811.858	331.738								331.738	7.402.638
R0230	2018	3.896.493	2.749.117	860.316									860.316	7.505.926
R0240	2019	4.111.976	2.619.303										2.619.303	6.731.279
R0250	2020	3.384.399											3.384.399	3.384.399
R0260												Total	8.219.589	74.557.123

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											4.073.104	3.593.446
R0160	2011	0	0	0	0	0	760.988	666.583	507.427	459.351	365.508		340.327
R0170	2012	0	0	0	0	1.038.901	854.734	726.131	681.038	562.595			517.618
R0180	2013	0	0	0	1.344.507	1.007.654	809.629	703.423	597.637				549.342
R0190	2014	0	0	1.844.126	1.431.834	1.030.486	882.274	746.860					685.969
R0200	2015	0	2.965.741	1.848.863	1.326.340	1.042.469	879.914						822.219
R0210	2016	5.549.384	2.827.198	1.760.007	1.211.754	906.846							845.323
R0220	2017	5.457.521	2.946.484	1.791.089	1.305.035								1.228.069
R0230	2018	6.185.709	3.025.503	2.006.685									1.928.837
R0240	2019	5.982.635	2.965.803										2.908.612
R0250	2020	5.719.160											5.627.811
R0260												Total	19.047.574

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)	15.000	15.000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	8.687.646	8.687.646			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	8.702.646	8.702.646	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8.702.646	8.702.646	0	0	0
R0510	Total available own funds to meet the MCR	8.702.646	8.702.646	0	0	
R0540	Total eligible own funds to meet the SCR	8.702.646	8.702.646	0	0	0
R0550	Total eligible own funds to meet the MCR	8.702.646	8.702.646	0	0	
R0580	**SCR**	4.819.272				
R0600	**MCR**	2.168.672				
R0620	**Ratio of Eligible own funds to SCR**	180,58%				
R0640	**Ratio of Eligible own funds to MCR**	401,29%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	8.702.646
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	15.000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	8.687.646
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	1.604.972
R0790	**Total Expected profits included in future premiums (EPIFP)**	1.604.972

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
1	501EA	Underwriting Risk - Expectation	-1.907.807
2	501EB	Underwriting Risk - Movement from Expectation	2.491.593
3	50301A	Catastrophe Risk - Expectation	209.315
4	50301B	Catastrophe Risk - Movement from Expectation	608.122
5	502AA	Reserving Risk - Expectation	11.969
6	502AB	Reserving Risk - Movement from Expectation	3.656.707
7	10A	Market Risk - Expectation	-58.979
8	10B	Market Risk - Movement from Expectation	2.431.077
9	20301A	Credit Risk - Expectation	57.002
10	20301B	Credit Risk - Movement from Expectation	231.493
11	70101A	Operational Risk - Expectation	0
12	70101B	Operational Risk - Movement from Expectation	714.156
13	801A	Other Risks - Expectation	418.386
14	801B	Other Risks - Movement from Expectation	-419.938
15	80301I	Loss absorbing Capacity of Deferred Tax	0

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	8.443.094
R0060	Diversification	-3.623.823
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	4.819.272
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	4.819.272
	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	
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	

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	

	Calculation of loss absorbing capacity of deferred taxes	LAC DT C0130
R0640	Amount/estimate of LAC DT	
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

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	3.173.901

		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	91.372	302.452
R0030	Income protection insurance and proportional reinsurance	7.711.839	2.845.649
R0040	Workers' compensation insurance and proportional reinsurance	2.242.356	536.208
R0050	Motor vehicle liability insurance and proportional reinsurance	2.857.582	1.074.599
R0060	Other motor insurance and proportional reinsurance	655.044	3.323.643
R0070	Marine, aviation and transport insurance and proportional reinsurance	110.235	298.035
R0080	Fire and other damage to property insurance and proportional reinsurance	4.126.228	4.742.101
R0090	General liability insurance and proportional reinsurance	960.602	596.445
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	18.178	30.746
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	8.863
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	317

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	139.477

		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	6.167.560	
R0250	Total capital at risk for all life (re)insurance obligations		14.225.451

Overall MCR calculation

		C0070
R0300	Linear MCR	3.313.378
R0310	SCR	4.819.272
R0320	MCR cap	2.168.672
R0330	MCR floor	1.204.818
R0340	Combined MCR	2.168.672
R0350	Absolute floor of the MCR	27.545
R0400	**Minimum Capital Requirement**	2.168.672