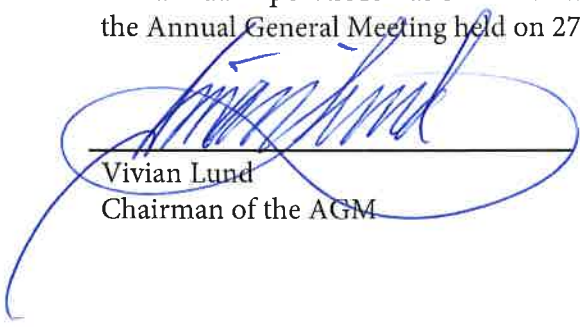


CODAN

CODAN FORSIKRING A/S ANNUAL REPORT 2015

The annual report 2015 has been reviewed and approved at
the Annual General Meeting held on 27 April 2016.



Vivian Lund
Chairman of the AGM

Gammel Kongevej 60
1850 Frederiksberg C
Company Reg. No. 10 52 96 38

Contents

General information	3
Management's review	4
Financial review	4
Employees and the company's community involvement	11
Risk management	14
Capital structure	17
Directorships and executive positions	18
Statement by the management on the annual report	20
Independent auditors' report	21
Income Statement	22
Statement of comprehensive income	23
Balance sheet at 31 December	24
Statement of changes in equity	26
Notes to the financial statements	28

General information

**Board of Directors and
Board of Management**

Board of Directors:

Lars Nørby Johansen, Chairman
Anthony Latham, Deputy Chairman
Christer Arne Bjellert*
Marianne Philip
Marie Elisabeth Sandblom*
Christian Sletten*
Gavin Wilkinson

*) Employee representative

Board of Management:

Patrick Bergander, CEO
Stig Pastwa, CFO

Auditors

Auditors elected by the general meeting:

KPMG, Statsautoriseret Revisionspartnerselskab

Ownership

Codan A/S, Frederiksberg, owns all of the shares in Codan Forsikring A/S

Address, etc.

Gammel Kongevej 60
DK-1790 Copenhagen V
Telephone: +45 33 21 21 21
Fax: +45 33 55 21 22
www.codan.dk
Company Reg. No.: 10 52 96 38

Management's review

Financial review

The company's Business model

Codan Forsikring A/S ('Codan Forsikring') is a part of the Codan Group, one of the largest non-life insurance providers in Scandinavia. We work closely together with our branches in Scandinavia and share certain resources, services, knowledge and best practice within all parts of the insurance business to ensure an optimal and efficient administration. We conduct a non-life insurance business in Norway through our Norwegian branch and in Sweden via our Swedish branch, and compete with other non-life general insurance companies in this market. The Codan Group is owned by RSA Insurance Group plc, one of the world's leading insurance groups with the benefits that naturally follow.

Annual report for 2015

Codan Forsikring is a subsidiary of Codan A/S whose ultimate parent company is RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring Group, which comprise the insurance companies Codan Forsikring A/S, Forsikringselskabet Privatsikring A/S, Holmia Livförsäkring AB and the non-regulated entities Besigtelseskontoret af 1914 A/S, Survey Association Pte. Ltd. and NIS 2 A/S.

The financial statements for 2015 have been prepared in accordance with the Danish Financial Business Act (*Lov om finansiel virksomhed*), including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (*Bekendtgørelse om finansielle rapporter for forsikringselskaber og tværgående pensionskasser*). The accounting policies are described in Note 1 to the annual report.

A five-year summary of key figures and financial ratios is provided in Note 3 to the annual report.

Major events

New CFO

In May 2015 Stig Pastwa joined the Company as Codan Group CFO and was appointed as member of Board of Management. Stig Pastwa leaves the Codan Group by 1 June 2016.

New members of Board of Directors

Following the annual general meeting in April 2015 Christer Arne Bjellert, Gavin Wilkinson and Maria Elisabeth Sandblom joined the Board of Directors. They succeed Richard Houghton, Jørgen Koch and Jørgen Lykke. In October 2015 David Weymouth left the Board.

Dividend for 2014

In the first half of 2015, Codan Forsikring A/S paid DKK 2,900 million in dividends to its parent company Codan A/S. Furthermore a dividend of DKK 80 million was received from the subsidiary Forsikringselskabet Privatsikring and SEK 75 million from the subsidiary Holmia Livförsäkring AB.

Merger with Trygg-Hansa Försäkrings AB

As of 31 March 2015 the company was merged with the Swedish sister company, Trygg-Hansa Försäkrings AB, with Codan Forsikring A/S being the continuing entity. The Trygg-Hansa business is now included in Codan Forsikring's Swedish branch. The merger supports the Codan Group strategy and the new country based organisation and at the same time the merger will help simplify the organisation and thereby further improve efficiency. The merger was included retrospectively in the statutory accounts for 2014.

Solvency II -Internal model approval

In December 2015, Codan Forsikring, as part of the RSA Group, received approval to use an internal model to calculate the solvency capital requirement (SCR) as of 1 January 2016.

Profit for the year and development of the company

The profit for Codan Forsikring for 2015 was DKK 521 million against a profit of DKK 2,101 million for 2014. Profit for the year breaks down as follows (all amounts in DKK million):

Management's review

	2015	2014
Balance on the technical account before run-off	992.0	844.0
Run-off gain / (loss)	-440.1	103.6
Balance on the technical account	551.9	947.6
Investment result	149.0	1,330.8
Other income and expenses	-64.6	289.0
Tax	-115.6	-466.7
Profit for the year	520.7	2,100.7

The profit for the year is below expectations but delivers on the company's objective of improving the underlying results. The profit is affected by run-off losses and strong impacts from the increasing interest rates in the financial markets. Expenses are stable and slightly below last year, leaving the company's combined ratio at 96.5% against 94.4% in 2014, which is slightly above the expected combined ratio in the low 90's.

Based on the profit for the year, foreign currency translation and the payment of dividend for 2014 of DKK 2,900 million the company's equity decreased DKK 2,069 million from DKK 12,688 million at 31 December 2014 against DKK 10,619 million at 31 December 2015.

Insurance result

Earned premiums

Gross earned premiums (gross premiums written less change in provision for unearned premiums) showed a decrease of 2.5% from DKK 16,498 million to DKK 16,085 million in 2015. The decrease is primarily caused by the disposal of the Estonian branch in 2014 and declining exchange rates in Sweden and Norway compared to last year. The Norwegian branch shows growth measured in NOK.

The Swedish branch shows a 6.4% growth in SEK. In DKK the branch has taken exchange rate hits and shows a growth in premiums of 3.4%. The Commercial portfolio has a small growth in premiums, while the Personal portfolio has a very strong growth within House & Contents and Personal Accident.

In Denmark Personal portfolio premiums declined due to the portfolio still being impacted from our previously implemented profitability actions. The Commercial portfolio also showed declining earned premiums, but with an increase in gross written premiums. As there is a delay from when premiums are written until they are earned, the increase in written premiums will have a positive impact on earned premiums in the future.

Overall earned premiums, net of reinsurance, declined by DKK 325 million from DKK 15,920 million to DKK 15,595 million, a decrease of approx. 2%.

Claims incurred

Gross claims incurred amounted to DKK 11,674 million in 2015 against DKK 11,708 million in 2014, corresponding to a decrease of DKK 34 million. The Personal portfolio saw an increase in claims incurred on Personal Accident in Sweden relating primarily to a product in run off changes in assumptions related claims-settling and actuarial estimates were made resulting in strengthening of reserves. This effect is partly offset by other products within Personal line. The Commercial portfolio developed overall positively, with declining claims.

Gross claims incurred were impacted by run-off losses totalling DKK -402 million against a DKK 207 million gain in 2014 where the company experienced a run off profit.

The gross claims ratio was 73.0% in 2015 as compared with 71.3% in 2014. The ratio is materially affected by the large run-off loss in 2015.

The net run-off loss amounted to DKK -440 million against a DKK 104 gain in 2014. The run-off loss in 2015 on prior years mainly stems from Swedish Personal Accident relating primarily to a product in run off, changes in

Management's review

assumptions related claims-settling and actuarial estimates were made resulting in strengthening of reserves. The run-off was partly offset by all other lines of business.

Technical interest

The technical interest for 2015 was DKK -13 million compared to DKK 28 million for 2014. The change in transferred technical interest follows primarily from changes in exchange rates and a decrease in the interest rate on which the calculation of the technical interest is based. Interest rates are published by the Danish Financial Supervisory Authority, and the interest rate was -0.18% in 2015 as compared with 0.18% in 2014.

Operating expenses

The gross expense ratio was 21.0% in 2015 compared with 21.2% in 2014. During 2015 the company has focused on reducing expenses and the decreasing number of employees has reduced staff costs. The company's updated strategy and three year plan has some clear objectives that include delivering on growth opportunities and improving the expense base.

Profit/loss from reinsurance

Reinsurance before technical interest generated a loss of DKK 396 million in 2015 against a loss of DKK 310 million in 2014. The earlier reinsurance agreement with RSA Reinsurance UK had a negative effect on the result of DKK 16 million. The agreement was not renewed for 2015 and the result therefore only comprise run-off on this agreement.

Balance on the technical account

The balance on the technical account is positive with DKK 552 million in 2015 against a positive balance of DKK 948 million in 2014. The decline reflects the run-off result, mainly attributable to Swedish Personal Accident. The balance on the technical account before run-off changed from DKK 844 million in 2014 to DKK 992 million in 2015, i.e. an increase of 17.5%.

Investments

The company's investments are made in subsidiaries and other financial assets. The total investment return was DKK 149 million for 2015 against DKK 1,331 million for 2014. The investment return before technical interest amounted to DKK 222 million against DKK 1,529 million in 2014, equal to a decrease of DKK 1,307 million.

The investment return for 2015 was affected by rising interest rates, which resulted in capital losses of DKK -1,157 million on bonds, but also a capital gain of DKK 253 million in connection with the change in the discount rate used to discount the company's provisions for outstanding claims.

Foreign exchange movements regarding investment assets had a negative contribution of DKK -107 million (2014: positive impact DKK 23.8 million)

Codan Forsikring seeks to minimise interest rate risk between assets and technical reserves by adopting a conservative investment strategy. The shares of government or government secured and mortgage bonds are therefore relatively high and account for approx. 50% and 43%, respectively, of the bond portfolio.

At the end of 2015, the company's investment portfolio consisted of the following assets (all amounts in DKK million):

	2015	%	2014	%
Investments in Group and associated entities	644.5	1.7	655.0	1.6
Loans to Group entities	1,000.0	2.7	1,942.7	4.9
Equity investments and units in open-ended funds	2,202.3	5.9	1,442.9	3.6
Bonds	32,585.0	86.9	34,525.3	86.8
Other loans	318.4	0.8	366.7	0.9
Other	11.5	0.0	14.7	0.1
Deposits with ceding undertakings	4.5	0.0	6.7	0.0
Cash and cash equivalents	717.8	1.9	840.7	2.1
	37,484.0	100	39,794.7	100

Management's review

Investments in Group entities

The profits generated by subsidiaries are as follows: Forsikringsselskabet Privatsikring generated a profit of DKK 48 million (a profit of DKK 57 million for 2014), Holmia Livförsäkring AB generated a profit of DKK 70 million (a profit of DKK 60 million for 2014) and other subsidiaries generated DKK -2 million (a profit of DKK 9 million in 2014).

Forsikringsselskabet Privatsikring A/S

Forsikringsselskabet Privatsikring writes direct general insurance business through Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Co-operative Savings Banks in Denmark).

The profit for 2015 comprises a balance on the technical account of DKK 61 million (DKK 71 million in 2014), an investment result of DKK 3 million (DKK 5 million in 2014) and tax expenses of DKK 15 million (tax expenses of DKK 19 million in 2014).

Gross premiums written for Forsikringsselskabet Privatsikring increased from DKK 616 million in 2014 to DKK 639 million in 2015. Premiums have increased for all products, with the exception of Motor Third Party Liability and House and Contents. The balance on the technical account before run-off has increased from DKK 7 million in 2014 to DKK 33 million in 2015 primarily due to positive development in the underlying claims ratios regarding current year. The company also had a positive claims run-off regarding previous years, primarily attributable to fire and contents, motor and personal accident.

Holmia Livförsäkring AB

Holmia Livförsäkring has licence to write direct and indirect life insurance where the payments are dependent on one or more person's life and additional insurance complementing this. The company primarily works together with Codan Forsikring's Swedish branch to cover the mortality risk in the branch's large portfolio of Health and Accident insurances.

The profit for 2015 comprises a balance on the technical account of DKK 70 million (DKK 55 million in 2014), an investment result of DKK 1 million (DKK 8 million in 2014) and tax expenses of DKK 1 million (tax expenses of DKK 3 million in 2014).

The company's total premium volume increased, and gross earned premium was DKK 116 million against DKK 111 million last year. The company has seen declining claims costs as well as declining operating expenses, which explains the positive development in the balance on the technical account.

Equity investments and units in open-ended funds

The company's exposure to shares is low. The company has investments in loan funds in which the underlying assets are primarily made up of loans in European commercial property companies. The company's equity investments and units in open-ended funds amounted to DKK 2,202 million at 31 December 2015, equal to 6.0% (3.7% in 2014) of the total investment portfolio.

The company's equity investments and units in open-ended funds generated a positive return of DKK 124 million in 2015 (a positive return of DKK 212 million in 2014).

Bonds

At 31 December 2015, bonds totalled DKK 32,585 million or 87% (87% in 2014) of the company's total investment portfolio and had duration of approx. 4.5 years. Of the total investment portfolio, Danish government bonds account for approx. 7%, Danish mortgage bonds for approx. 14%, Norwegian government bonds for approx. 4%, Norwegian mortgage bonds for approx. 1%, Swedish government bonds for approx. 31%, Swedish mortgage bonds for approx. 28%, EUR-denominated government bonds for approx. 1%. A total of approx. 88% of the bond portfolio is invested in AAA-rated bonds. The investments in Swedish and Norwegian bonds are used to hedge the business in Codan Forsikring's Scandinavian branches.

The total return on the bond portfolio was a loss of DKK 148 million (a gain of DKK 2,606 million in 2014), equal to approx. -0.5% (7.5% in 2014), which is considered satisfactory having the difficult market conditions during 2015 in mind.

Management's review

Balance sheet

Total assets for Codan Forsikring decreased by DKK 2,160 million from DKK 48,261 million in 2014 to DKK 46,102 million in 2015. The decrease is primarily attributable to repayment of loans to Group entities, decrease in reinsurer's share of insurance contracts and a decrease in investment assets.

Business initiatives

Key strategies

The Codan Group is in the middle of a transformation, which will help drive the strategic initiatives:

- Deliver on our customers' needs and our brand ambitions – close to customers. Supported by an agile customer-centric delivery model
- Clear and strong ownership of entire profit and loss account
- Improve cost effectiveness through process optimisation and digitalisation
- Innovation and fast paced execution to improve time to market

The Codan Group will look to protect the current leadership positions in areas such as Motor, Personal Accident and Renewable Energy, while continue improving profitability across all three countries. The Group also plans to fully capitalise on the opportunities in Specialty and with global brokers that arise from being the only large scale player in the region with a global presence.

Market conditions

Throughout 2015, trading conditions continued to be challenging in Denmark; however, the Danish insurance market remains stable and attractive. The market has announced that it will continue to focus on profitability and cost reduction, and Codan has the same focus. As in the Danish market, the Swedish market has experienced a decline in the economy. Norway has seen, after several years of positive conditions, a flattening in the trading conditions as a consequence of the economical development and recent drop in oil prices.

Customers

Codan continues to work on delivering the brand and customer journey and implementing a customer mindset in all parts of the business. A key focus area in the Codan Group strategy is to understand customer needs and requirements and adapt our service and propositions to meet the expectations.

Variable remuneration

With effect from 1 January 2011, new rules came into force imposing financial undertakings to draw up a remuneration policy for the undertaking, including rules on the payment of variable remuneration to the Board of Directors, the Board of Management and material risk takers. Codan Forsikring has implemented the rules and observes the special restrictions applicable to the remuneration of the Board of Directors, the Board of Management and material risk takers. Consequently, the company complies with the provisions of sections 71 and 77a-d of the Danish Financial Business Act. In accordance with section 77d of the Danish Financial Business Act, information about the total remuneration for members of the Board of Directors and Board of Management is provided in this annual report, and the information to be published in the remuneration report in accordance with the remuneration rules is available on Codan's website under Employee Remuneration reports'.

Audit and Risk Committee

The Board of Directors of Codan Forsikring has set up a combined audit and risk committee, the 'Codan Forsikring Audit & Risk Committee'.

The Committee consists of five members of the company's Board of Directors with Anthony Latham as chairman. As the independent member with special qualifications in accounting, the company's Board of Directors has appointed Lars Nørby Johansen. The Board of Directors found that his qualifications met the statutory requirements. The Danish Financial Supervisory Authority has been informed accordingly. Lars Nørby Johansen is Chairman of the Boards of Directors of Codan A/S and Codan Forsikring.

The tasks of the Committee are set out in the Terms of Reference based on Executive Order no. 1393 of 19 December 2011 on Audit Committees in Undertakings and Groups Subject to Supervision by the Danish Financial Supervisory Authority (*Bekendtgørelse om revisionsudvalg i virksomheder samt koncerner, der er underlagt til-*

Management's review

syn af Finanstilsynet). The tasks of the Committee include monitoring of both the financial reporting process, including calculation of the individual solvency requirements, and the company's internal control system and risk management systems. The Committee also monitors the statutory audit of the financial statements, which includes controlling the auditors' independence and the effectiveness of the internal audit function.

In 2015, the Audit and Risk Committee held six meetings. The five meetings were held in connection with reporting to the company's Board of Directors and the Danish Financial Supervisory Authority.

Events subsequent to 31 December 2015

Dividend for 2015

The Board of Directors do not propose declaration of a dividend. The proposal will be considered by the annual general meeting on 25 April 2016.

Transfer of Loss of Earning Capacity portfolio

Codan Forsikring has made an agreement to transfer the Loss of Earning Capacity portfolio to SEB as originally agreed in 2005. The transfer of the portfolio is subject to approval by the Danish Financial Supervisory Authority and is expected to be concluded during third quarter of 2016. The transfer does not significantly impact Codan Forsikring's profit in 2016.

Extension of Marine reinsurance

From 1 January 2016 Codan Forsikring has entered a new reinsurance contract with Royal & Sun Alliance Insurance plc. The reinsurance contract is a quota share agreement which covers 100% of Codan Forsikring's exposure towards the Marine portfolio for damage related to insurance contracts written in 2016. Hence, claims occurring in 2016 related to an insurance contract written in 2015 or before is not covered by the reinsurance contract. The contract is agreed on market terms and Codan Forsikring receives commission.

New Executive Order on accounting

The Danish Financial Supervisory Authority has issued a new executive order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds effective from 1 January 2016. The new executive order comprises new presentation and changes in the measurement of Insurance Contract Provisions, but do also introduce new items as Risk Margin and Future Profit Margin. In addition to this, a new interest curve, calculated by the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

Future Profit Margin is recognised as the expected future profit on bound, but not yet incepted insurance contracts, meaning the insurance contracts that today are covered by the provision for unearned premiums.

Risk Margin is the risk premium that a third party in principle will demand, to take over the insurance contracts with the inherent risk. Risk Margin is calculated separately for unearned premium provision and outstanding claims provision.

The Provision for unearned premiums is still covering compensation for claims that have not yet incurred, but where the insurance company has taken on the risk. According to the new executive order, the part of the provision that is attributable to the expected future profit on the provision for unearned premiums, shall be recognised in the new balance sheet item "Future Profit Margin", just like a Risk Margin shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date.

In addition, the criterion for recognising an insurance contract in the premium provision and related balance sheet items, is changed. According to the new executive order, a contract is recognised when the insurer is bound, where the previous rules of recognition stated time of inception. Furthermore all premium provisions are discounted going forward, where the current rules only require discounting when the impact is significant.

The new rules will have a negative impact on Codan Forsikring's equity with approximately DKK 1,265 million.

Dissolution of Equalisation Reserve

As a consequence of Solvency II coming into force 1 January 2016, the Danish FSA has dissolved the executive order that govern the Equalisation Reserve. The reserve amounts to DKK 59 million at 31 December 2015 and is transferred to Retained Earnings in 2016.

Management's review

Solvency II

As of 1 January 2016 Solvency II regulation, a set of EU rules, came into force for insurance companies. The former Danish individual solvency rules are in many respects an early implementation of a Solvency II like regime. The Codan Group has since 2009 prepared for Solvency II in a project coordinated with the RSA Group.

In December 2015, Codan Forsikring, as part of the RSA Group, received approval to use an internal model to calculate the solvency capital requirement (SCR) as of 1 January 2016. In addition to the SCR, Codan Forsikring will also calculate the minimum capital requirement (MCR) as of 1 January 2016. Companies must hold eligible own funds to cover the MCR in order to ensure ongoing authorisation.

The individual solvency requirement (former Danish regulation) and the solvency capital requirement (Solvency II regulation) are both calculated with the Internal Modell.

The capital available, i.e. the eligible own funds to cover the capital requirement, and the SCR has increased with Solvency II. Codan Forsikring's eligible own funds amounted to DKK 9,149 million at 1 January 2016 and the SCR of Codan Forsikring was DKK 4,319 million.

No other events of material importance to the company's financial position or business affairs have occurred subsequent to 31 December 2015.

Outlook for 2016

2016 is expected to be characterised by unchanged macroeconomic conditions relative to 2015, with expectations of low GDP growth. Public and private spending is expected to be affected by this, just as trade and exports are expected to remain stable.

Claims incurred, before run-off are expected to improve in 2016, primarily on the back of continued focus on profitability through claims indemnity. The expense ratio is expected to improve against 2015 as a result of continued focus on the transformation program driving simplification and effectiveness. The company is making major investments in development projects, and targeted efforts are concurrently being made to implement the corporate strategy. In addition to this, the performance depends on developments in personal injury claims, weather-related claims and large claims as well as the trend in interest rates.

In 2016 Codan Forsikring expects a combined ratio in the low 90's.

Codan Forsikring does not consider it appropriate to make any statements as to the expected developments in the interest rate and stock markets or the expected value adjustments for 2016.

Management's review

Employees and the company's community involvement

The cornerstone of Codan Forsikring's performance and success is the company's ability to attract, retain and develop the best talents. Codan Forsikring wants to be one of the best workplaces in the insurance market, which also contributes towards attracting employees to work in the insurance industry in general. By focusing on the development of the individual employee and manager, the company provides the framework for a dynamic, informative and stimulating environment based on respect.

Codan Forsikring strives to be a responsible employer. By focusing on all aspects of diversity and equal opportunities for all employees, Codan Forsikring wants to be a workplace where differences are considered a strength and source of inspiration.

Corporate responsibility efforts

The Codan Group has decided to work strategically with corporate social responsibility (CSR) as a prerequisite for attracting the best employees, customers, suppliers and business partners – and thus for building a profitable and sustainable business. The Group has published a CSR report which is publicly available at www.codan.dk/csr. The report describes how the Group complies with the AA1000 principles (inclusivity, materiality and responsiveness), and data is audited by independent auditors.

More information is available on the website about the CSR policies as prepared and approved by Codan's Board of Directors and CEO. The policies serve as overall guidelines for Codan's CSR activities, including the approach to human rights, the environment, donations and volunteering activities. The website also contains more information on the Group's values and business principles which help strengthen the CSR activities throughout the organization.

Moreover, the Group has introduced an internal 'Guide to Business Conduct' which all employees must complete via e-learning. The Group also has a Whistle blowing Policy, which ensures that the employees know how to act and who to contact if they discover or suspect fraud, bribery and embezzlement, or if any of the Group's own business principles are not followed in the day-to-day work.

Strategy

In 2013 a Corporate Responsibility Strategy for Scandinavia for 2014-16 was developed. The Corporate Responsibility Strategy builds upon the strong foundation of our previous corporate responsibility work and supports the overall themes in the global Corporate Responsibility Strategy of RSA Group. The strategy continues to focus on the needs of our customers and supports our vision of insuring a sustainable future with focus on prevention of accidents and claims.

The Corporate Responsibility Strategy is based on customer surveys and interviews with key internal and external stakeholders. The results of these interviews have given valuable insights into our customers' and stakeholders' expectations and from this we have drafted the strategy vision and themes where loss prevention regarding climate and safety are main themes.

The top 10 challenges our customers expect us to help manage are:

1. Insurance fraud
2. Children's accidents
3. Fire accidents
4. Burglary claims in buildings
5. Water claims in buildings (broken pipes)
6. Traffic accidents (by increasing traffic safety)
7. Claims caused by extreme weather
8. Swimming accidents
9. Boat accidents
10. Corruption

Management's review

Climate

In recent years, Codan has seen an increase in weather-related claims. In the short term, the Group would like to raise awareness of damage caused by extreme weather, and in the long term, the company would like to contribute to reversing the negative climate trend.

In Denmark, for example, Codan offers a rebate on home buildings insurance if customers install anti-flooding devices to prevent the basement from being flooded by sewage during cloudbursts. In addition, Codan has launched videos focusing on how Danish homeowners can avoid damage to their homes when a cloudburst hits the country. Moreover, Codan offers a free text message alert to all Danes to notify them of cloudburst or storm forecasts. Codan is also a member of the Danish think tank CONCITO, with the company contributing to the think tank's climate adaptation work.

The RSA division Global Renewable Energy insures global companies in the renewable energy sector. RSA's Centre of Excellence for wind energy is situated at the Copenhagen headquarter. The centre educates employees and develops insurance products to customers globally. Codan is involved in 80% of all offshore wind turbines projects in the world.

Safety

All accidents, whether they occur at home, at work, in traffic or on holiday, are unpleasant experiences that the people involved would rather do without. This also applies to us as an insurance company. An essential part of Codan's business is therefore to help prevent such accidents.

In Denmark and Norway the focus in 2015 was on the importance of being visible in traffic, for example by having 150 voluntary employees handing out 100,000 free reflectors. This year Codan also promoted road safety and the use of reflective clothing in a different way. Following research with a group of 15 - 34 year olds, Codan found that young people would wear reflective clothes if they were 'cool' with an 'integrated' reflector. Therefore Codan has teamed up with a young designer, Soulland, to design a reflector collection. To make sure they had a broad reach, Danish rapper Kesi also got involved by modelling for the collection, spreading the message through social media and using the collection on his tour. The collection, which consists of seven pieces, including shoes, a sweatshirt, cap, jacket and t-shirts are all made in a reflective material which will help to highlight the use of reflectors in the dark winter months. The cap has been sold nationwide in Denmark and has been sold out several times.

Trygg-Hansa has a long standing partnership with the Swedish Life Saving Society (SLS) in regards to promoting water safety. Our shared vision is that no child should have to drown. As an insurer who insures every other child in Sweden, we believe water safety is an obvious and suitable area to focus on.

Drowning is one of the most common fatal accidents among children aged one to six years old, and every year an average of nine children die in drowning accidents. Being able to float in water can save lives and is the first step to a swimming ability. Trygg-Hansa and the Swedish Life Saving Society has initiated the Baby Buoy concept to help parents and children how to practice water safety and floating home in the bathtub or the bath, and thus increase safety in and around water.

Every summer since 2012, Trygg-Hansa has funded around 350 outdoor summer swim schools with materials and resources, where more than 20,000 children have learned to swim. Summer swim lessons are one of the most important activities when it comes to promoting swimming skills among children in Sweden.

Trygg-Hansa is also funding the initiative "Swim School for Everyone", which aims to reach children who, for various reasons, such as language barriers, find it difficult to absorb information on water safety and swimming. SLS educates approximately 12 multilingual swim instructors per year to be able to teach children, who, for cultural, religious, linguistic or economic reasons, or otherwise cannot attend regular swimming lessons.

In 2015 Trygg-Hansa also wanted to address the problem that water related accidents cost more lives than road traffic accidents. Most of the adult drowning victims were middle aged men and a majority had consumed alcohol. Therefore we initiated "Don't Drink and Dive", a film project that spread around the world and that was rewarded many times during 2015

Management's review

Codan is also focusing on reducing the number of burglaries. In Denmark Codan has launched videos focusing on how homeowners can avoid burglaries. We also offer a rebate on the home contents insurance to customers having installed an approved alarm system in their home.

Safety in traffic was the main focus area for Codan in Norway in 2015. In November we launched a campaign focusing on the danger of using the mobile phone while driving. Surveys show that about every fourth car accident is related to the use of mobile phones while driving. Figures from more and more countries draw a clear pattern: mobile use while driving is dangerous and deadly. As more people, all over the world, gain access to smart phones, the number of accidents likely will increase dramatically. The aim of our campaign is to tell people to focus on the traffic while driving and leave the mobile untouched.

Focus on capabilities, culture and engagement

Codan invests considerable resources on developing the right capabilities for the future. We believe that the company's future success is dependent on ensuring that our employees and leaders have knowledge and expertise to always be able to deliver the best possible solutions for our customers. The company supports and encourages capability development in order to strengthen both personal and technical development, and thereby add value to the business. This is done through a combination of internal and external training.

Through 2014, we had particular focus on leadership and culture in relation to our re-branding of Codan, and during 2015 we continue to do so. We also continue with the "Great conversations" programme to help leaders and their team to create Awareness, Desire, Knowledge, Ability and Reinforcement towards our Brand, Culture and Expectations.

We also continue with our annual engagement survey 'Yoursay', which gives all our employees the opportunity to shout out and help us make things better. Actions on the survey and feedback will continue in 2016.

Focus on more women in management

Codan focuses on women in management positions. Our aim is to increase the share of female managers on all levels of the organisation. Our specific target is to increase the share of women on our Board of Directors, excluding employee representatives, for Codan Forsikring from 20% in 2012 to 33% in 2017. We have also set up a target and policy for the share of women on other management levels – from 35% in 2012 to 40% in 2020. In addition, Codan has signed the Charter for More Women in Management (Denmark).

In 2015, the share of women on the Board of Directors went up by 3 percentage points to 20% in Codan Forsikring A/S.

The share of women on other management levels, has increased from 35% in 2012, 36% in 2013 and 37% in 2014 to 38% in 2015.

The long-term aim for more women in management positions is to achieve a representation better reflecting the general distribution of women and men at Codan. Also, the efforts will contribute to our CSR objective of creating a sustainable future and provide equal opportunities for our employees and talent pool in society.

Management's review

Risk management

Codan Forsikring is exposed to various types of risks, of which insurance risks, financial risks and operational risks are the most prominent. Insurance risks pertain primarily to underwriting risk, counterparty risk and reserving risk. Financial risks consist primarily of market risks, including the impact of changes in interest rates, particularly in the bond portfolio and technical provisions. Operational risks include the risk of loss from inadequate or failed internal processes, people and systems, or from external events. The company's management of these risks is described below and further detailed in Note 2.

Risk management in Codan Forsikring

Codan Forsikring's overarching strategy and risk appetite statement are set by the company's Board of Directors. The connection between strategic considerations regarding accumulated risks in the business operations through day-to-day decisions on whether to enter into agreements with customers, partners and suppliers has been reviewed and challenged through continuous assessment of the company's risk profile by the Risk and Assurance Own Risk & Solvency committee (ORSA), which is an advisory body to the management. The risk profile is reported on a continuous basis to the company's Board of Directors.

Codan Forsikring has implemented necessary and relevant systems, business processes, controls, control validation, and assurance activities in order to mitigate risks. Codan Forsikring manages risks on an ongoing basis to stay within risk appetite as approved by the BoD, and quarterly reports risks to the Board of Directors. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk. An annual assessment is performed of the direct and indirect financial impact that could arise in various scenarios. The most significant risks of Codan Forsikring are outlined below:

Insurance risk

Codan Forsikring's insurance risks comprise:

- Underwriting risk and premium rating risk, i.e. the risk that the premium charged is not sufficient to cover future expenses
- Counterparty risk, also referred to as credit risk or default risk (see Credit Risk section below)
- Reserving risk, i.e. the risk that technical provisions will not be sufficient to settle claims incurred.

The level of insurance risk that the company can accept is ultimately steered by the Underwriting Policy, which is set by the Board of Directors. In this policy, the Board clearly describes the risk appetite per insurance class and specifies the maximum acceptable limits that the Board is prepared to allocate to the various risks that have been evaluated, priced and accepted by the company's underwriters.

The Reinsurance Policy steers how reinsurance protection is to be structured to reduce Codan Forsikring's insurance risks to acceptable levels. Reinsurance is purchased to protect the company from major, individual claims and against natural catastrophes and other catastrophe events that could impact many different lines of business. The Reinsurance Policy also stipulates, per insurance class, clear demands on what credit ratings the reinsurance companies are to have in order for Codan Forsikring to enter into contracts with them.

The company's method for setting premiums is defined through an underwriting process that takes into account various individual risks, which products are to be insured, and in some cases also risk management, in order to arrive at the right premiums for different customers. In both the Personal and Commercial business units, a majority of the customers are given a premium that is set according to tariffs that are calculated by pricing actuaries, while for major commercial customers, premiums are based on the respective companies' operations and claims history. The authority exercised by the respective underwriters is steered by a personal underwriting licence based on the underwriter's capabilities.

Technical provisions for future payment of already incurred claims are calculated using standard actuarial methods.

The claims trends and reserve levels are reviewed quarterly by the actuarial reserving department and is addressed in a process which involves both the claims department and the Portfolio Heads/Product Directors. The Chief Actuary is responsible for setting reserves and produces reserve reporting to the Reserving Committee and the Board.

Management's review

The Reserving Committee meets at least once a quarter and has an advisory role that is designed to provide both challenge and a more in-depth look at the Chief Actuary's report. The committee reports to the CEO.

Financial risk

Financial risk consists of market risk, credit risk, and liquidity risk. Market risk is the most important of these for Codan Forsikring since a significant part of the company's activities consists of investment activities. Market risk is the risk that movements in the financial markets affect the value of assets and liabilities and thereby the company's capital base and return.

Most of Codan Forsikring's investments are in Scandinavian government bonds and Scandinavian mortgage bonds. The vast majority of the bonds is considered liquid and can be sold on short notice close to market price.

Market risk

Interest rate risk

Changes in interest rates are among the important factors which affect Codan Forsikring's financial risks. If interest rates decrease, the value of the company's bond portfolio rises. At the same time, technical provisions increase in connection with downwards changes in the discount rates. Changes in interest rates thus have an opposite profit and loss effect on assets and liabilities.

Equity risk

The value of the equity portfolio fluctuates in line with movements in the stock markets. Codan Forsikring has a limited exposure to equities as less than 6% of the investment assets are invested in equities.

Spread risk

Spread risk is the risk that the value of bonds with an inherent credit element declines due to spread increases caused, for example, by an increase in risk aversion in the market. Codan Forsikring's spread risk on Danish mortgage bonds is broadly hedged on a net basis due to the construction of the Danish and Swedish discount curve, which to some extent incorporates Danish mortgage bond yields. Codan Forsikring is primarily exposed to spread risk via investments in corporate bonds. However, the spread risk is considered limited as Codan Forsikring primarily holds AAA-rated mortgage bonds and investment grade corporate bonds.

Real estate risk

Codan Forsikring has one smaller direct investment in properties in 2015.

Currency risk

Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. Codan Forsikring has limited currency risk as the technical provisions are generally matched by investments in the same currency. The merger of Trygg-Hansa Försäkrings AB into Codan Forsikring A/S has changed the currency exposure for the company since the net asset value (NAV) of the Swedish branch is denominated in SEK. In Codan Forsikring's financial statements, results and equity of foreign branches are translated into DKK. Consequently, the SEK-denominated NAV constitutes a significant currency risk which is mitigated through hedging.

Inflation risk

Inflation risk is the risk that claims payments in future years will escalate given an increase in inflation due to indexation of claims cash flows. Codan Forsikring has an indirect exposure to inflation since technical provisions for workers' compensation and health and accident insurances are linked to a wage index which is correlated with inflation. The inflation risk is mitigated through the holding of investment assets that increase in value when inflation rises.

Liquidity risk

Most of Codan Forsikring's investments are in liquid, listed bonds that can be liquidated on short notice at close to market price. Further, a credit facility can be obtained from the company's primary banks given the company's rating of A.

Credit risk

Credit risk (default risk) is the risk of incurring a loss if a counterpart cannot meet its obligations. Codan Forsikring's investment portfolio consists primarily of Scandinavian AAA-rated government and mortgage

Management's review

bonds, for which the credit risk is considered very low. More than 75% of the total investments consist of AAA-rated bonds. In addition, Codan Forsikring holds European corporate bonds with a credit rating of at least BBB. Codan Forsikring's counterparty-related credit risks are primarily tied to holdings of cash and deposits in banks and exposure on reinsurance counterparties, but also receivables from policyholders and group companies comprises credit risk.

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events. Main operational risks in Codan are related to IT and personnel. IT due to large ongoing infrastructure projects which would affect the whole company if not delivered in time. The personnel related risks comprise technical capabilities of personnel and loss of key personnel, which could lead to poor ability to attract and retain business.

Codan manages operational risks on an ongoing basis to be in line with risk appetite and quarterly assesses and reports operational risks to the Board of Directors. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk. In addition, an annual scenario assessment is performed of the direct and indirect financial impact that could arise in various scenarios.

Compliance risk

Compliance risk is the risk of non-compliance with laws, regulations and internal rules as well as good practice or generally accepted good business standard regarding the regulated activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Other risks

The company also faces strategic risks, reputational risks and emerging risks. Strategic risks are the risks of the company's strategic decisions and planning affecting the company's business and capital adversely. Reputational risk is the risk that the company's intrinsic value is deteriorated through negative perceptions in the market, while emerging risks are risks that the Company may face over a period of time longer than the planning horizon. Emerging risks can for instance relate to technological development, health research and other matters in relation to the above described risks developing over time. The main strategic risks of Codan are related to ongoing infrastructure projects in IT. Reputational risk relates to risk of deteriorating brand perception of the Codan brand. For emerging risks, an ever changing insurance market with hardening global and local regulatory/political attitude, customer behaviour, and technologies are the main topics. All risks are monitored to detect early indications of changes in trend, impact and/or likelihood in order to manage the risk within appetite.

Management's review

Capital structure

For capital management purposes, Codan Forsikring uses an internal capital model to assess and calculate capital requirements and scenarios. The model is used to calculate the capital requirement and for performance review purposes based on capital allocations derived from the model. The model is further used for impact analysis when assessing impact of major strategic decisions. The model is developed over a number of years in cooperation with the RSA Group and was approved by the College of Supervisors in December 2015. The model is fitted for Codan Forsikring and is developed on a regular basis, which includes an annual re-parameterisation. The model is a cash flow-based stochastic model which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. Within this model framework, with run-off on existing obligations and new business for one year, the capital requirement is calculated as the capital required to resist a worst-case scenario, defined as a once in every 200-year occurrence.

Codan Forsikring's adequate base capital to cover the Danish individual solvency requirement amounted to DKK 8,387 million at 31 December 2015. At the end of 2015, the individual solvency requirement of Codan Forsikring was DKK 4,319 million.

There have been four notable changes to the capital model carried out in 2015. These have primarily been driven by regulator feedback and are thus all performed prior to the submission of the model approval application in May 2015. The changes relates to emergence of reserve risk, volatility of Swedish Personal accident business, correlations between lines of business and lastly modelling of the guarantee portfolio which is in run-off

Management's review

Directorships and executive positions

Board of Directors

At the time of adoption of the Annual Report, the members of the Company's Board of Directors held the following directorships and executive positions in other enterprises.

Board of Directors

Directorships and executive positions in other enterprises

Lars Nørby Johansen, Chairman	Fonden Oluf Høst Museet, Index Award A/S, Bornholms Mosteri A/S, Danmarks Underholdningsorkester A/S, Den Erhvervsdrivende Fond Bornholms Mosteri, (Chairman): Københavns Lufthavne A/S, William Demant Holding A/S, Dansk Vækstkapital K/S, Codan A/S, Fonden for Entreprenørskab – Young Enterprise, Dansk Vækstkapital Komplementar ApS, Montana Møbler A/S, (Deputy Chairman): Arp-Hansen Hotel Group A/S.
Anthony Latham, Deputy Chairman	Ecclesiastical Insurance Group plc., Ecclesiastical Insurance Office plc., (Chairman): Pool Reinsurance (Nuclear) Ltd, Pool Reinsurance Ltd, (Deputy Chairman): Codan A/S.
Christer Arne Bjellert *	Codan A/S.
Marianne Philip	Aktieselskabet af 1. januar 1987, Anpartsselskabet af 17. december 2014, Bitten og Mads Clausens Fond, Brenntag Nordic A/S, Codan A/S, HD Ejendomme A/S, Hedgeforeningen Nordea Invest Portefølje (kapitalforening), Investeringsforeningen MS Invest, Investeringsforeningen Nordea Invest, Investeringsforeningen Nordea Invest Bolig, Investeringsforeningen Nordea Invest Engros, Investeringsforeningen Nordea Invest Kommune, Investeringsforeningen Nordea Invest Portefølje, Investeringsinstitutforeningen Nordea Invest, Investeringsinstitutforeningen Nordea Invest Portefølje (kapitalforening), Kapitalforeningen Nordea Invest, Novo Nordisk Fonden, Kirsten og Peter Bangs Fond, (Chairman): Gerda og Victor B. Strands Fond/Toms Gruppens Fond, Gerda og Victor B. Strand Holding A/S, Holdingselskabet Af 17. August 2011 ApS, Movement A/S, Scan Office A/S, Redoffice Scan Office A/S, Scan Office Ejendomme ApS, Stiholt Holding A/S, (Liquidator): ALPS ApS under konkurs, Amati Optic ApS under konkurs, Aros Pharma ApS under frivillig likvidation, B. B. Byggeservice ApS under konkurs, Christie Holding ApS under tvangsopløsning, CLELCL54-Holding ApS under konkurs, Copenhagen Bikes ApS under tvangsopløsning, DSS Holding ApS under konkurs, Efficia Consulting IVS under konkurs, Fall Holding ApS under konkurs, FJ Rengøring ApS under konkurs, God Energi Invest ApS under konkurs, HGPedersen Holding ApS under tvangsopløsning, Holm Byg IVS under tvangsopløsning, Inventar One ApS under konkurs, Isoleringnu.dk ApS under konkurs, Jakobsen Holding 2014 ApS under konkurs, Juhl Ejendomme ApS under konkurs, Jørgen Jakobsen Holding ApS under konkurs, Klaus Bertelsen Holding ApS under tvangsopløsning, Linned Design Holding ApS under konkurs, MR Service København ApS under tvangsopløsning, MR Service København Holding ApS under tvangsopløsning, MSV og MF Holding ApS under konkurs, Nana Service ApS under konkurs, NN Holding 2011 ApS under tvangsopløsning, N.P. Rafn Holding ApS under konkurs, NW Biotech Invest ApS under tvangsopløsning, Preben Laust og Steen Holtermann HOLDING ApS under tvangsopløsning, Prime Care ApS under tvangsopløsning, Raas ApS under konkurs, Restaurationselskabet ApS under konkurs, Sakan Holding ApS under konkurs, Selskabet af 17. november 2011 ApS under konkurs,

Management's review

Directorships and executive positions

Board of Directors (continued)

Sky Company ApS under konkurs, SPG Group ApS under konkurs, Studie-assistentterne IVS under konkurs, Systemlink ApS under tvangsopløsning, Søren Skak ApS under tvangsopløsning, Torben Odgaard Holding ApS under konkurs, TRT Holding ApS under konkurs, Widinberg Management A/S under konkurs, 3D Laserfoto Holding ApS under konkurs.

Maria Elisabeth Sandblom * Codan A/S

Christian Sletten * Codan A/S

Gavin Wilkinson Codan Finance Limited, Royal & Sun Alliance Benelux Holdings NV, Royal Insurance Holdings plc, Royal International Insurance Holdings Limited, RSA Finance, RSA Finance (Isle of Man) Limited, RSA Manx Holdings Limited, RSA Overseas (No.3) Limited, RSA Overseas Holdings (No 1), RSA Overseas Holdings (No. 2), RSA Overseas Holdings (UK) Limited, Sun Alliance Finance B.V., Sun Alliance Insurance Overseas Limited, The Globe Insurance Company Limited, Codan A/S and RSA Insurance Ireland Limited.

Board of Management

Pursuant to section 80 of the Danish Financial Business Act, the Board of Directors of Codan Forsikring A/S has approved that the members of the Board of Management of the Company, held or hold the following directorships and executive positions.

Board of Management

Directorships and executive positions

Patrick Bergander Försäkringsgivarnas Arbetsgivarorganisations Serviceaktiebolag, Svensk Försäkring, Forsikring og Pension, (Chairman): Codan Ejendomme II A/S, NIS Denmark A/S, NIS 2 A/S, (Directorship): Codan A/S.

Stig Pastwa Det Danske Hedeselskab, DalgasGroup A/S, Global Knowledge Inc., NIS Sweden I AB, NIS Sweden II AB, (Chairman): AlliancePlus A/S, AlliancePlus Holding A/S, Chr. Olesen & Co. A/S, (Directorship): Codan A/S, SP Holding 2015 ApS.

*) Employee representative

Codan Forsikring A/S – Annual Report 2015

Statement by the management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of Codan Forsikring A/S for the financial year 1 January to 31 December 2015.

The annual report is presented in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of its financial performance for the financial year 1 January to 31 December 2015. It is also our opinion that the Management's review gives a true and fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

We recommend the annual report for adoption at the annual general meeting.

Copenhagen, 25 April 2016

Board of Management



Patrick Bergander
CEO

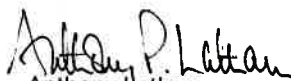


Stig Pastwa
CFO

Board of Directors



Lars Mørby Johansen
Chairman



Anthony Latham
Deputy Chairman



Christer Arne Bjellert



Marianne Philip



Maria Elisabeth Sandblom



Christian Sletten



Gavin Wilkinson

Independent auditors' reports

To the shareholder of Codan Forsikring A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Codan Forsikring A/S for the financial year 1 January - 31 December 2015. The financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Business Act.

Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Frederiksberg, 25 April 2016

KPMG

Statsautoriseret Revisionspartnerselskab


Anja Bjørnholt Lüthcke
State Authorised
Public Accountant
CVR: 25 57 81 98


Mark Palmberg
State Authorised
Public Accountant
CVR: 25 57 81 98

Income Statement

Note	DKK million	2015	2014
General insurance			
4	Gross premiums written	16,559.2	16,552.0
	Premiums ceded to reinsurers	-520.4	-620.1
4	Change in the provision for unearned premiums	-474.0	-54.1
	Change in the provision for unearned premiums, reinsurers' share	29.8	42.2
	Earned premiums, net of reinsurance	15,594.6	15,920.0
5	Technical interest	-13.2	28.2
	Claims paid, gross	-11,367.9	-12,562.8
	Claims paid, reinsurers' share	692.0	1,475.7
	Change in the provision for claims	-306.1	854.1
	Change in the provision for claims, reinsurers' share	-627.5	-1,222.3
6	Claims incurred, net of reinsurance	-11,609.5	-11,455.3
	Bonuses and rebates	-87.3	-69.4
	Acquisition costs	-2,086.5	-2,271.1
	Administrative expenses	-1,276.7	-1,219.2
	Reinsurance commissions and profit participation	30.5	14.4
7	Net operating expenses	-3,332.7	-3,475.9
8	Balance on the technical account, general insurance	551.9	947.6
	Investments		
	Income from Group entities	115.5	125.8
	Income from associated entities	4.1	5.6
	Income from Group occupied properties	-1.2	23.1
9	Interest income and dividends, etc.	1,128.8	1,206.7
10	Value adjustments	-921.8	290.2
	Interest expenses	-17.2	-26.7
	Investment management expenses	-86.0	-95.5
	Total investment return	222.2	1,529.2
	Technical interest transferred to general insurance	-73.2	-198.4
	Total investment return after technical interest	149.0	1,330.8
11	Other expenses	-64.6	-
12	Other income	-	289.0
	Profit before tax	636.3	2,567.4
13	Tax	-115.6	-466.7
	Profit for the year	520.7	2,100.7

Income Statement

Note	DKK million	2015	2014
Proposal for the distribution of profit:			
Transferred to reserve for net revaluation according to the equity method		115.5	122.3
Proposed dividend		-	2,900.0
Transferred to retained earnings		405.2	-921.6
		520.7	2,100.7

Statement of comprehensive income

Currency translation adjustment, foreign subsidiaries		9.1	-27.3
Currency translation adjustment, foreign branches		288.8	-365.1
Intra-group contribution		21.3	27.7
Tax on intra-group contribution		-5.8	-7.5
Actuarial gains/losses on pension obligations		-2.7	0.5
Tax on actuarial gains/losses on pension obligations		0.7	-0.1
Other comprehensive income		-1.3	-0.6
Other comprehensive income		310.1	-372.4
Profit for the year		520.7	2,100.7
Total comprehensive income		830.8	1,728.3

Balance sheet at 31 december

Note	DKK million	2015	2014
Assets			
14	Intangible assets	1,244.6	1,349.5
15	Equipment	50.2	48.5
16	Group occupied properties	13.0	12.6
	Total property and equipment	63.2	61.1
17	Investments in Group entities	625.5	640.7
	Loans to Group entities	1,000.0	1,942.7
	Investments in associated entities	19.0	14.3
	Total investments in Group entities	1,644.5	2,597.7
	Equity investments	1,382.1	1,125.2
	Units in open-ended funds	820.2	317.7
	Bonds	32,585.0	34,525.3
	Other loans	318.4	366.7
	Other	11.5	14.7
	Total other financial assets	35,117.2	36,349.6
	Deposits with ceding undertakings	4.5	6.7
	Total investments	36,766.2	38,954.0
	Reinsurers' share of provision for unearned premiums	170.1	133.5
	Reinsurers' share of provision for claims	1,621.2	2,206.6
	Total reinsurers' share of insurance contract provisions	1,791.3	2,340.1
	Receivables from policyholders	3,797.5	3,276.9
	Receivables from brokers	62.6	73.9
	Total receivables arising from direct insurance contracts	3,860.1	3,350.8
	Receivables from insurance companies	202.1	185.8
	Receivables from Group entities	355.8	158.0
	Other receivables	199.2	344.5
	Total receivables	6,408.5	6,379.2
	Assets held for sale	2.7	2.2
18	Current tax assets	252.5	30.9
19	Deferred tax assets	149.0	125.2
	Cash and cash equivalents	717.8	840.7
	Total other assets	1,122.0	999.0
20	Accrued interest and rent	398.4	447.2
	Other prepayments	98.9	71.3
	Total prepayments and accrued income	497.3	518.5
	Total assets	46,101.8	48,261.3

Balance sheet at 31 december

Note	DKK million	2015	2014
Equity and liabilities			
21	Share capital	15.0	15.0
22	Contingency funds	5,714.6	5,573.1
	Translation reserve	242.0	85.8
	Equalisation reserve	59.2	59.2
	Total reserves	6,015.8	5,718.1
	Retained earnings	4,587.9	4,054.8
	Proposed dividend	-	2,900.0
23	Total equity	10,618.7	12,687.9
	Provision for unearned premiums	6,695.0	6,116.9
	Provision for outstanding claims	26,066.0	25,405.8
	Provision for bonuses and rebates	36.7	39.2
	Total insurance contract provisions	32,797.7	31,561.9
24	Pension obligations	58.7	79.2
19	Deferred tax liabilities	152.8	186.9
25	Other provisions	234.1	190.5
26	Total provisions	445.6	456.6
	Deposits with ceding undertakings	311.5	649.1
	Payables arising from direct insurance contracts	66.2	74.3
	Payables arising from reinsurance contracts	115.1	140.2
	Amounts owed to Group entities	26.0	104.0
18	Current tax liabilities	-	120.2
27	Other payables	1,493.3	2,171.7
27	Total payables	1,700.6	2,610.4
	Accruals and deferred income	227.7	295.4
	Total equity and liabilities	46,101.8	48,261.3

Notes without reference

- 1 Accounting policies
- 2 Risk information
- 3 Key figures and financial ratios
- 28 Related parties
- 29 Security
- 30 Contingent assets, contingent liabilities and financial liabilities
- 31 Incentive schemes
- 32 Ownership information

Statement of changes in equity

	DKK million					
	Share - capital	Revaluation reserves, equity method	Other reserves	Proposed dividend	Retained earnings	Total equity
2015						
Equity, beginning of the year	15.0	-	5,718.1	2,900.0	4,054.8	12,687.9
Changes in equity for 2015:						
Currency translation adjustment, foreign subsidiaries	-	0.2	8.9	-	-	9.1
Currency translation adjustment, foreign branches	-	-	288.8	-	-	288.8
Intra-group contribution	-	-	-	-	21.3	21.3
Tax on intra-group contribution	-	-	-	-	-5.8	-5.8
Actuarial gains/losses on pension obligations	-	-	-	-	-2.7	-2.7
Tax on actuarial gains/losses	-	-	-	-	0.7	0.7
Other comprehensive income	-	-	-	-	-1.3	-1.3
Profit for the year	-	0.2	297.7	-	12.2	310.1
	-	115.5	-	-	405.2	520.7
Total comprehensive income for the	-	115.7	297.7	-	417.4	830.8
Received dividend, subsidiaries	-	-139.8	-	-	139.8	-
Release of negative revaluation reserve, equity method	-	24.1	-	-	-24.1	-
Paid dividend	-	-	-	-2,900.0	-	-2,900.0
Changes in equity for the year	-	-	297.7	-2,900.0	533.1	-2,069.2
Equity, end of the year	15.0	-	6,015.8	-	4,587.9	10,618.7

Statement of changes in equity

	DKK million					
	Share - capital	Revaluation reserves, equity method	Other reserves	Proposed dividend	Retained earnings	Total equity
2014						
Equity, beginning of the year	15.0	1,021.7	6,083.8	2,556.1	3,808.6	13,485.2
Changes in equity for 2014:						
Currency translation adjustment, foreign subsidiaries	-	-	-27.3	-	-	-27.3
Currency translation adjustment, foreign branches	-	-	-365.1	-	-	-365.1
Sale of Brädstaplen AB	-	-567.1	26.7	-	540.4	-
Intra-group contribution	-	-	-	-	27.7	27.7
Tax on intra-group contribution	-	-	-	-	-7.5	-7.5
Actuarial gains/losses on pension obligations	-	-	-	-	0.5	0.5
Tax on actuarial gains/losses	-	-	-	-	-0.1	-0.1
Other comprehensive income	-	-	-	-	-0.6	-0.6
Profit for the year	-	-567.1 122.3	-365.7 -	- 2,900.0	560.4 -921.6	-372.4 2,100.7
Total comprehensive income for the	-	-444.8	-365.7	2,900.0	-361.2	1,728.3
Received dividend, subsidiaries	-	-1,605.0	-	-	1,605.0	-
Release of negative revaluation reserve, equity method	-	1,028.1	-	-	-1,028.1	-
Currency translation adjustment, dividend	-	-	-	-30.5	30.5	-
Paid dividend	-	-	-	-2,525.6	-	-2,525.6
Changes in equity for the year	-	-1,021.7	-365.7	343.9	246.2	-797.3
Equity, end of the year	15.0	-	5,718.1	2,900.0	4,054.8	12,687.9

Notes to the financial statements

Note

1 Accounting policies

The annual report of Codan Forsikring has been prepared in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order no. 112 of 7 February 2013 on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Codan Forsikring is a subsidiary to Codan A/S whose ultimate parent company is RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring Group.

Codan Forsikring has received permission to prepare the annual report solely in English from the Danish Financial Supervisory Authority.

In some tables and notes, the comparative figures have been reclassified relative to the annual report for 2014. The reclassifications are of no importance to the informative value of the individual tables and notes. Apart from this the accounting policies remain unchanged from the annual report for 2014.

General information

The annual report is presented in DKK, rounded to the nearest million by one decimal. The business of Codan Forsikring consists mainly of selling general insurance products on the Scandinavian market and investing in Scandinavian securities. The company has branches in Norway and Sweden.

Recognition and measurement

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property and equipment are measured at cost on initial recognition. Subsequent measurements are made as described for each individual item below. Measurement at amortised cost involves recognition of a constant effective interest rate over the life of the asset or liability. Amortised cost is calculated as the original cost less repayments and with addition/deduction of the accumulated amortisation of the difference between cost and the nominal amount. In this way, capital gains and losses are allocated over the life of the asset or liability.

Assets are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably. Financial instruments are recognised in accordance with this principle, and the trade date is used as the date of recognition.

Liabilities are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, the company has a legal obligation, and when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

The recognition and measurement of assets and liabilities take into account information received after the balance sheet date but before the presentation of the annual report if such information proves or disproves circumstances prevailing on the balance sheet date.

Income is recognised in the income statement as earned. Expenses incurred to achieve the earnings for the year, including depreciation, amortisation, impairment losses and provisions, are recognised in the income statement. Adjustments resulting from changes in accounting estimates of items previously recognised in the income statement are also recognised in the income statement. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the income statement, unless otherwise stated below.

Notes to the financial statements

Note

Key assumptions and estimates

Determination of the carrying amount of assets and liabilities requires an estimate of how future events will affect the value at the balance sheet date. Estimates having a material impact on the financial reporting are, for example, made in connection with the determination of technical provisions, depreciation, amortisation and impairment losses, pension obligations as well as contingent assets and liabilities. The assumptions and estimates used are reviewed on a continuous basis and are, among other things, based on historical experience and expectations of future events.

The estimates used are based on assumptions which the management believes to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Codan Forsikring is furthermore subject to risks and uncertainties that could cause actual results to differ from the estimates used.

Risk management is described in Note 2.

The following accounting assumptions and estimates are considered material to the annual report:

Insurance contract liabilities

The provision for outstanding claims is generally affected by key actuarial assumptions and estimates, including expectations of the number and size of claims incurred but not yet reported as well as inflation developments. In some cases, the historical data forming part of the actuarial methods do not necessarily reflect the expected future level of claims, for instance in connection with amended legislation, legal practice or the practice of the Danish National Board of Industrial Injuries for awarding compensation, where an a priori estimate of the effect is prepared. This estimate is communicated to the business and forms the basis of premium changes necessitated by an expected change in the level of claims.

For general insurance companies, a run-off result is calculated as the difference between:

- a. the provision for outstanding claims in the opening balance sheet, adjusted for currency translation differences and discounting effects, and
- b. the sum of claims paid during the financial year relating to claims incurred in previous financial years, and that part of the provision for outstanding claims relating to claims incurred in previous financial years.

Run-off results for the past five years are shown in the five-year summary in Note 3.

Allocations in Codan Forsikring

Expenses that are not directly attributable to individual lines of business or cannot be identified as either claims handling costs, operating expenses (acquisition costs and administrative expenses) or investment management expenses are allocated on the basis of estimated time consumption or cost charge.

Measurement of intangible assets

Impairment testing of intangible assets may be significantly affected by major changes in the estimates and assumptions on which the calculations of recoverable amounts are based.

Deferred tax

The tax liability arising on a temporary difference between the carrying amount and the tax value is generally recognised as deferred tax. If the temporary difference is negative, and it is considered likely that it can be used to reduce future tax liabilities, a deferred tax asset will be recognised.

Codan Forsikring does not make provisions for deferred tax on contingency funds. The reason for this is that, in the opinion of the management, taxation will only take place if the insurance portfolio is transferred or if the company ceases to carry on insurance business.

Contingent liabilities

Contingent liabilities, including the outcome of pending legal proceedings, are inherently uncertain. The management has estimated these on the basis of legal assessments of the specific cases.

Notes to the financial statements

Note

Changes in assumptions and estimates

In 2015, changed assumptions and estimates concerning goodwill and related intangible assets resulted in a total impairment loss of DKK 74 million before tax.

The actuarial assumptions regarding Swedish Personal Accident were changed during 2015. As an outcome of the updating of assumptions, the reserves were strengthened with DKK 642 million.

Business combinations

Newly acquired or established entities are included in the financial statements from the date of acquisition or foundation. Entities sold or terminated are included in the income statement up to the date of disposal. Comparative figures are not restated for entities recently acquired, sold or terminated.

Identifiable assets, liabilities and contingent liabilities of newly acquired entities are measured at fair value at the date of acquisition.

The cost of business combinations is measured as the total fair value at the date of acquisition of transferred assets, known or predicted liabilities, and all costs directly attributable to the business combination.

Positive balances (goodwill) between the cost of business combinations and the fair value of identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under intangible assets.

Goodwill is not amortised, but tested at least annually for impairment and written down to the recoverable amount through the income statement if the carrying amount is higher. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

In connection with intra-group business combinations or portfolio transfers, the aggregation method is used whereby the difference between the purchase consideration and the net assets acquired is recognised directly in equity and comparative figures are restated.

The merger between Codan Forsikring A/S and Trygg-Hansa Försäkrings AB constitutes an intra-group business combination. The statutory accounts for Codan Forsikring A/S has been prepared using the aggregation method, so that the profit and loss and balance sheet items of the two merged entities have been added as if the companies had been merged from the beginning of the earliest year presented in the financial statement. The parent company of the merged entities is Codan A/S. No purchase consideration has been paid in connection with the merger. The company's activities in Sweden will continue to be carried out by the Codan Forsikring Swedish branch.

When the initial accounting for a business combination can be determined only provisionally, any adjustments to goodwill and the fair values of assets, liabilities and contingent liabilities are recognised within 12 months of the date of acquisition. Subsequently, goodwill will only be adjusted as a result of changes in estimates of contingent purchase considerations. If, 12 months after the acquisition, it is ascertained that the fair value of assets or liabilities at the date of acquisition differs from the values initially recognised, the adjustments are recognised in the income statement.

Any additional price paid in connection with the purchase of minority interests is written down directly against equity.

Intra-group transactions

Business transactions between group companies are conducted on market-based conditions or on a cost-covering basis.

Notes to the financial statements

Note

Foreign currency translation

The company's functional currency is DKK in respect of business and investments originating from Denmark. The functional currencies used by the company's branches in Sweden and Norway are the currencies of the respective countries.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the income statement as value adjustments.

Receivables, payables, other monetary items as well as non-monetary items recognised on the basis of the fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the income statement as value adjustments.

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in equity as part of the translation reserve. If the foreign entity is disposed of, any currency translation differences will be recognised in the income statement in connection with the disposal.

Goodwill and other fair value adjustments of assets and liabilities arising on the acquisition of foreign entities are treated as belonging to the foreign entity and are translated at the exchange rate ruling at the balance sheet date.

Individual areas in the annual report

Insurance contracts

Insurance contracts are defined as contracts under which one party (the insurer) accepts an insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is defined as risk, other than financial risk, transferred from the policyholder to the issuer of an insurance contract.

Insurance liabilities are recognised in the balance sheet from the time when the insurance risk is transferred to the insurer. The liability or part thereof is removed from the balance sheet when the liability, as specified in the contract, is met, cancelled or has expired.

The provision for insurance liabilities is recognised so that it, by taking into account what can reasonably be anticipated, is sufficient to cover all the company's liabilities, but at the same time the level of provision should not be higher than required.

Reinsurance

Reinsurance contracts are defined as insurance contracts entered into with reinsurers under which the company is fully or partially compensated for losses on one or more insurance contracts issued by the company.

Codan Forsikring uses reinsurance as a normal part of its business for the purpose of limiting possible losses through the spreading of risk. Reinsurance does not change the company's liabilities towards the policyholders. Conclusion of reinsurance contracts therefore means that the company is exposed to credit risk as far as receivables from reinsurers are concerned.

Earned premiums, claims incurred and technical provisions are shown on a gross basis in the income statement and the balance sheet, i.e. gross of reinsurance.

Notes to the financial statements

Note

General insurance contracts

Gross premiums include amounts received by the company during the accounting period or amounts owed to the company for direct and indirect insurance contracts whose period of insurance commenced prior to the end of the accounting period.

Gross premiums are recognised less any return of premiums, bonuses and rebates offered to policyholders irrespective of claims experience, and excluding any charges payable to public authorities collected together with the premiums. In connection with co-insurance, the share of the total premium belonging to the company is included.

The provision for unearned premiums is calculated as the sum of amounts that the company, according to its best estimate, is expected to pay in connection with insured events which are expected to take place after the balance sheet date and which are covered by the insurance contracts entered into by the company. The provision for unearned premiums furthermore includes the direct and indirect costs that the company, according to its best estimate, is expected to incur after the balance sheet date in connection with the administration of insurance contracts entered into by the company.

However, the provision for unearned premiums constitutes at least the sum of the gross premium share calculated for each individual insurance contract which corresponds to that part of the period of insurance falling after the balance sheet date. Codan Forsikring does not discount the provision for unearned premiums as this does not significantly affect the amount of the provision for unearned premiums.

The difference between the provision for unearned premiums, gross, at the beginning and at the end of the accounting period is recognised as change in the provision for unearned premiums. However, the proportion of the balance attributable to currency translation differences is recognised in the income statement as value adjustments.

The premium amounts repaid or to be repaid to policyholders are recognised as bonuses and rebates when the repayment amount is determined on the basis of the claims experience during the financial year for the individual insurance contract or a portfolio of insurance contracts based on criteria laid down prior to the beginning of the accounting period or when the insurance contracts are taken out. The provision for bonuses and rebates includes the expected amounts payable to policyholders based on their claims experience during the accounting period.

Claims paid include amounts paid in respect of insurance claims during the accounting period. The amount includes internal and external costs for the survey and assessment of claims, costs for the limitation of claims incurred as well as other direct and indirect costs for the settlement of claims incurred. Claims paid are recognised after deducting amounts received as a result of the company taking over insured values or being subrogated to the insured's rights in connection with claims payments.

Run-off gains or losses on previous years' provision for outstanding claims are included in claims incurred.

The provision for outstanding claims is recognised as the sum of the amounts that the company, according to its best estimate, is expected to pay in connection with insured events that have occurred up to the balance sheet date in addition to the amounts already paid in connection with such events. The provision for outstanding claims furthermore includes the direct and indirect claims handling costs that the company, according to its best estimate, is expected to incur.

Notes to the financial statements

Note

The provision for outstanding claims is calculated as the sum of expected claims payments and costs on the basis of:

- a case-by-case assessment of reported events comprising all significant events reported;
- an experience-based estimate of events that have been subject to a case-by-case assessment and where the information available is insufficient;
- an experience-based estimate of reported events that have not been subject to a case-by-case assessment; and
- an experience-based estimate of events that have occurred prior to the balance sheet date, but which have not yet been reported at the time of preparing the financial statements.

The methods used for the determination of the provision for outstanding claims are classical actuarial methods. For most of the business, the methods are based on run-off triangles containing paid or reported claim amounts. When using these methods, a joint provision is made for the last three bullets above (the methods do not attempt to separate not reported claims from reported claims).

The main assumptions of the methods are that the claims run-off is relatively stable over time. It is, for instance, assumed that a claim occurring in 2015 more or less has the same run-off pattern as a claim that occurred in 2012. To the extent that specific knowledge is available which makes such assumption unlikely, the model will be adjusted accordingly. In several segments, reserves relating to claims incurred in the last few years are affected by assumptions concerning underlying changes in premium level, claims inflation and portfolio mix. These assumptions are therefore quantified explicitly and are included as part of the basis for determining the reserve.

For most lines of business, future inflation is handled implicitly in the statistical models. The assumption is that the future claims inflation is equal to the historical claims inflation. In respect of larger lines of business with long settlement periods, this assumption is important for the amount of the provision for outstanding claims. This especially applies to workers' compensation insurance and annuities related to motor insurance in Sweden where inflation assumptions are therefore handled explicitly.

Reserves are determined in accordance with an internal reserving process. Data used in the reserving process are reconciled with the primary systems. By using actuarial methods as described above, the reserve amount is subsequently determined. Any application of actuarial methods requires choices and related estimates. These choices and estimates affect the reserve amount. The choices/estimates are therefore reviewed in an internal review process to ensure that the final reserve level is appropriate.

The calculation of the provision for outstanding claims, gross, takes into account income and expenses resulting from the acquisition and realisation of assets and rights that the company, according to its best estimate, expects to be entitled to in connection with claims payments.

All provisions for outstanding claims are measured at present value when discounted. All provisions for outstanding claims are discounted at a term-dependent discount rate. The Danish Financial Supervisory Authority calculates the interest rate structure as a weighted combination of swap yields and option-adjusted mortgage yields and publishes it on its website.

The difference between the provision for outstanding claims at the beginning and at the end of the accounting period is recognised as change in the provision for claims. However, the proportion of the balance attributable to currency translation differences and changes in the discount rates used is recognised in the income statement as value adjustments. Technical interest includes the proportion of change in the provision for claims attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwinding of discount).

Amounts paid or payable by the company to reinsurers for reinsurance cover during the financial year are recognised as premiums ceded to reinsurers.

Notes to the financial statements

Note

Reinsurers' share of provision for unearned premiums includes the company's rights under reinsurance contracts calculated as the premiums ceded to reinsurers less that part of the ceded premiums relating to the time prior to the balance sheet date. The ceded premiums is the premiums paid by the company for reinsurance contracts. The asset is tested for impairment and written down to any lower recoverable amount.

Change in the provision for unearned premiums, reinsurers' share includes the difference between the proportion of the provision for unearned premiums attributable to reinsurance cover at the beginning and at the end of the financial year. However, as is the case with change in the provision for unearned premiums, gross, the proportion of the balance attributable to currency translation differences is included in the income statement as value adjustments.

Amounts received by the company during the financial year from the company's reinsurers to cover claims incurred under reinsurance contracts are recognised as claims paid, reinsurers' share.

Reinsurers' share of provision for claims includes the company's rights under reinsurance contracts as regards insured events that have occurred. The rights are determined on the basis of the terms of the reinsurance contracts, using the same estimates and discounting principles that have formed the basis for the calculation of the provision for outstanding claims, gross. As is the case with reinsurers' share of provision for unearned premiums, the asset is tested for impairment and written down to any lower recoverable amount.

Change in the provision for claims, reinsurers' share includes the difference between the proportion of the provision for outstanding claims attributable to reinsurance cover at the beginning and at the end of the financial year. As is the case with change in the provision for claims, gross, the proportion of the balance attributable to currency translation differences and changes in the discount rate applied is recognised in the income statement as value adjustments. Furthermore, the proportion of the change attributable to the impact of the unwinding of discount of the reinsurers' share of provision for claims during the period is included in the technical interest.

A proportion of the total investment result is transferred to technical interest in the income statement as a return on the average technical provisions for the year and is designated 'Technical interest'. The impact of the unwinding of discount is offset against the interest income in connection with discounting. In respect of provisions discounted at a term-dependent discount rate, the technical interest and discounting are calculated on the basis of the same principles and therefore the two items offset each other. In respect of non-discounted provisions, primarily the provision for unearned premiums, net of reinsurance, the technical interest on the year's average provisions is calculated on the basis of the yield on bonds with a term to maturity of less than three years.

Operating expenses

Operating expenses include staff costs, commissions, marketing expenses, rent, expenses for stationary and office supplies, and depreciation, amortisation and impairment of property and equipment as well as intangible assets.

The proportion of operating expenses attributable to the acquisition and renewal of the portfolio of insurance contracts is included in 'Acquisition costs'. Acquisition costs are recognised at the time of commencement of the insurance contracts.

Commissions received from reinsurers are accrued over the period of cover of the insurance contracts.

Notes to the financial statements

Note

Financial instruments

In connection with the acquisition and disposal of financial instruments under normal market conditions, the trade date is used as the date of recognition or the date where the asset/liability is no longer recognised in the balance sheet. When the financial instrument is recognised, an asset/liability equal to the agreed price is also recognised. On the disposal of a financial instrument, an asset/liability equal to the agreed price is similarly recognised. The liability or the asset will no longer be recognised in the balance sheet on the settlement date.

Financial derivatives

For financial derivatives, which do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

The fair value of financial derivatives is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

Currently financial derivatives comprise foreign exchange contracts, repo contracts and inflation swaps.

Leases

Assets held under finance leases are recognised on equal terms with other equipment from the time when Codan Forsikring is entitled to use the leased asset. On initial recognition, the asset is measured at the lower of the fair value and the present value of the agreed lease payments. When calculating the present value, the interest rate implicit in the lease is used as discount rate or an approximate value for this. Changes in present values during the financial year are recognised as financial expenses.

The capitalised remaining lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement as incurred.

Assets held under operating leases are not recognised in the balance sheet, and lease payments are recognised in the income statement on a straight-line basis over the period of the lease.

In connection with sale and leaseback transactions (sale of an asset and leaseback of the same asset) resulting in operating leases, the selling price and lease payments will be assessed relative to the fair value. If the transaction has been agreed at fair value, any profit or loss relative to the carrying amount will be recognised immediately.

If the selling price is below fair value, any profit or loss will also be recognised immediately, unless the loss is compensated for by future lease payments below market price. In such cases, the loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the selling price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

The company has no sale and leaseback transactions where the leaseback is a finance lease.

Incentive schemes

The RSA Group operates share option schemes satisfied by shares in RSA Insurance Group plc. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, the company revises the estimates of the number of options expected to be exercised. Codan Forsikring recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Notes to the financial statements

Note

Assets held for sale and discontinued operations

Discontinued operations are defined as one entity whose operations and cash flows can clearly be separated from the remaining business – both operationally and financially – and where the operations have either been disposed of or separated for the purpose of sale. Operations/assets are classified as 'Assets held for sale' or 'Discontinued operations' if their carrying amount will be recovered principally through a sales transaction within 12 months according to a formal plan rather than through continuing use. Discontinued operations also include businesses acquired for resale, where the sale is likely to be completed within one year.

Discontinued operations are presented in a separate line in the income statement together with comparative figures and are specified in the notes. Balance sheet items relating to discontinued operations and assets held for sale are recognised as separate items in assets and liabilities, respectively. Comparative figures for assets and liabilities are not restated.

Assets held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. The assets are not subject to depreciation.

Income statement

As regards the technical account in the income statement, reference is made to the specifications in 'General insurance contracts' and 'Operating expenses'.

Investment return

Interest and interest-related income from bonds, other securities, loans and receivables, including indexation of index-linked bonds and dividends on equity investments, are recognised in interest income and dividends, etc.

Total value adjustments, including currency translation adjustments as well as net gains and losses from the sale of assets falling within the group of investments in the balance sheet, are recognised as value adjustments. Change in the provision for outstanding claims, net of reinsurance, resulting from changes in the discount rates used is also recognised.

Interest on and interest-related expenses in connection with payables and liabilities are recognised as interest expenses. Borrowing costs are charged to the income statement as incurred, as borrowing costs related to qualifying assets are not capitalised (e.g. in connection with the construction of Group-occupied properties).

Costs attributable to trading in and management of the company's investments are recognised as investment management expenses. The investment return further includes income from Group entities, which consists of Codan Forsikring's share of Group entities' net profit after tax.

Other income and expenses

Income and expenses which are not attributable to the company's insurance portfolio or investments and profit from sale of portfolios are included in other income and expenses.

Tax

Codan Forsikring is taxed jointly with Danish subsidiaries and Codan A/S as well as the Danish subsidiaries of this company. Full allocation is made to all jointly taxed companies. Tax for the year, consisting of current tax for the year, any change in deferred tax and adjustments relating to previous years, is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The company is subject to the Danish tax prepayment scheme. Additions, deductions and allowances relating to tax payments are included in 'Interest income and dividends, etc.' and 'Interest expenses'. Tax payments are made to Codan A/S, which, according to the rules on joint taxation, acts as administration company.

Notes to the financial statements

Note

Current tax liabilities and assets are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable income for previous years and tax paid on account.

Deferred tax liabilities are measured using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes and other items where such differences – except in connection with acquisitions – have arisen at the date of acquisition without having an impact on the financial results or the taxable income. In those cases where the tax base can be determined according to alternative taxation rules, deferred tax liabilities will be measured on the basis of the planned use of the asset and the settlement of the liability.

Deferred tax assets, including the tax base of tax losses that may be carried forward, are recognised in 'Other assets' at the value at which they are expected to be used, either through elimination of tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates in the respective countries which, based on the legislation in force at the balance sheet date, will apply when the deferred tax liability is expected to be settled or when the deferred tax asset is expected to be realised. Change in deferred tax resulting from changes in tax rates is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

Codan Forsikring does not make provisions for deferred tax on contingency funds. According to the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds. (*Regnskabsbekendtgørelsen*), a provision for deferred tax on contingency funds should only be made if it is likely that a situation will arise within the foreseeable future which will result in taxation. In the opinion of the management, taxation will only take place if the insurance portfolio is transferred or if Codan Forsikring ceases to carry on insurance business.

Intra-group contributions

Intra-group contributions are treated as capital increases in respect of contributions from the parent company or companies affiliated with the company and as dividends in respect of contributions from the company to the parent company or affiliated companies.

Balance sheet

Assets

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at the amount corresponding to the excess of the cost of acquisition of Codan Forsikring's interest in an acquired entity over Codan Forsikring's interest in the fair value of the acquired assets and liabilities at the time of acquisition. Goodwill relating to acquisitions prior to 2004 is recognised at the carrying amount at 1 January 2004. This goodwill has thus been recognised on the basis of the cost recognised in accordance with the previous accounting policies less amortisation and impairment losses up to 1 January 2004. Reference is made to the section 'Business combinations'. The carrying amount of goodwill is allocated to cash-generating units at the date of acquisition. Cash-generating units are determined in accordance with the business structure, and goodwill is tested for impairment at the end of the financial year. In connection with intra-group business combinations, existing goodwill is allocated to the new cash-generating unit in which the activities creating the goodwill are included.

Notes to the financial statements

Note

The carrying amount of goodwill is tested for impairment together with all other assets in the cash-generating unit to which goodwill has been allocated and is written down to the recoverable amount through the income statement if the carrying amount is higher.

Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

Impairment losses on goodwill are not reversed.

Development projects

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities in the company can be demonstrated, and where the intention is to produce or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

Costs include materials and services attributable to the company's development activities.

All other costs associated with developing or maintaining computer software are recognised in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years, but can be five to seven years. Development projects in progress are measured at cost less any impairment losses.

The company's development activities include the development of IT programs and platforms as well as major strategic efforts within insurance systems.

Other intangible assets

Customer lists acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment losses. The amortisation period for customer lists is five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired computer software licences are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The depreciation period is usually three years.

Property and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition cost and costs directly attributable to the acquisition up to the date when the asset is available for use. Subsequent costs are included in the carrying amount when it is probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

The basis of depreciation is the cost less the residual value and any impairment losses, and depreciation is charged on a straight-line basis over the estimated useful lives of the assets, which are mainly in the range from three to ten years. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on assets disposed of or scrapped are determined by comparing proceeds with the carrying amount. Gains and losses are recognised in the income statement.

Notes to the financial statements

Note

Impairment of intangible assets and property and equipment

Goodwill and development projects in progress are tested for impairment in connection with the annual report and during the year if there is any indication of impairment. The carrying amount of other intangible assets and property and equipment is reviewed at least annually to determine whether there is any indication of impairment. If there are indications of impairment, the carrying amount is written down to the estimated recoverable amount of the asset if this is lower than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the expected value in use.

Impairment losses on development projects and other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates underlying the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Investments in Group entities

Investments in Group entities are measured according to the equity method, which 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 Codan Forsikring.

The profit or loss of Group entities is included in the parent company income statement for the same financial year. The profit or loss of Group entities is transferred to the reserve for net revaluation according to the equity method under equity. This reserve may not be used for dividend or distribution. The reserve in the parent company is reduced by dividend payments from Group entities.

Other financial assets

Financial assets are measured at fair value, and value adjustments are included in the income statement.

The fair value of listed securities is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

For securities that are not listed on a stock exchange, or for which no market price exists which reflects the fair value of the asset, the fair value is determined using valuation techniques, the purpose of which is to determine the transaction price which would result from arm's length transactions between independent parties at the date of measurement. These techniques include the use of similar recent arm's length transactions between independent parties, reference to other instruments that are substantially the same and a discounted cash flow analysis. All value adjustments of financial assets are recognised in the income statement as value adjustments.

Currency translation adjustments are recognised directly in the income statement.

Receivables

Receivables, including deposits with ceding undertakings, are recognised at fair value and subsequently measured at amortised cost using the effective interest method, which usually corresponds to the nominal value in respect of short-term non-interest-bearing receivables and floating rate receivables.

An estimated provision for expected losses is recognised in the income statement when there is a clear indication that the asset is impaired. The recognised provision is measured as the difference between the asset's carrying amount and a possible lower recoverable amount.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks as well as securities with a maturity of less than three months at the date of acquisition which are readily convertible into cash and which are subject to insignificant risks of changes in value.

Notes to the financial statements

Note

Prepayments and accrued income

Prepayments and accrued income are measured at cost, equivalent to the measurement made on initial recognition.

Liabilities

Equity

Share capital

Shares in Codan Forsikring are recognised at nominal value.

Reserve for net revaluation according to the equity method

The reserve includes net revaluation of investments in Group entities according to the equity method.

Contingency funds

The Danish contingency funds are separate reserves within equity, which, until 1989, were set aside to strengthen the capital position and which were subject to tax relief. Contingency funds may only be used to strengthen the technical provisions or otherwise benefit the policyholders.

The Swedish contingency reserve is reported as an untaxed reserve. Changes are recognised through profit or loss. The basis for calculation is based on a directive from the Swedish Financial Supervisory Authority on a so-called normal plan for calculating the contingency reserve. The directive indicates the maximum amount that may be allocated to the contingency reserve, based on written premiums and the provision for claims outstanding in certain lines of insurance. Codan Forsikring Swedish branch continuously calculates the maximum scope for provisions. At year-end the company had not utilised the maximum scope.

Translation reserve

The translation reserve comprises exchange differences arising from the translation of the equity of foreign subsidiaries and branches at the beginning of the year at the exchange rates prevailing at the balance sheet date and from the translation of income statements from the exchange rate prevailing at the date of transaction into the exchange rates prevailing at the balance sheet date.

The reserve also comprises foreign currency translation of intangible assets relating to acquisitions.

The translation reserve has been determined in accordance with the guidelines issued by the Danish Financial Supervisory Authority as from 1 January 2004.

Currency translation adjustments are recognised in the income statement if the foreign entity is dissolved or disposed of.

Equalisation reserve

The equalisation reserve is a separate item under equity calculated in accordance with the provisions of the Danish Financial Supervisory Authority's Executive Order on Equalisation Reserves within Credit and Suretyship Insurance (*Bekendtgørelse om udjævningsreserver inden for kredit- og kautionsforsikring*). Any adjustments made to the equalisation reserve are not shown in the income statement.

Proposed dividend

Proposed dividend is shown as a separate item under equity. Dividend distribution is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Payables and liabilities, general information

Amounts owed to credit institutions are measured at fair value. The fair value of amounts owed to credit institutions usually corresponds to the nominal value. Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value in respect of short-term non-interest-bearing payables.

Notes to the financial statements

Note

The capitalised residual lease obligation in respect of finance leases is also recognised as liabilities.

Pension obligations

The company has entered into pension agreements and similar agreements with the majority of its employees.

Contributions to defined-contribution schemes under which fixed contributions are paid to independent pension funds on an ongoing basis are recognised in the income statement in the period to which they relate and any contributions payable are recognised in the balance sheet as other payables. When contributions to defined-contribution schemes have been paid, the company has no further obligations to present or former employees.

For defined-benefit schemes, an annual actuarial calculation (Projected Unit Credit Method) is made of the present value of future benefits payable under the defined-benefit scheme. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the company. The actuarial present value less the fair value of any scheme assets is recognised in the balance sheet under pension obligations.

Current service costs are recognised in the income statement based on actuarial estimates and calculated financial expense. Any difference between the expected development in pension scheme assets and liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised directly in equity.

If changes in benefits relating to employee services in current and prior years result in changes in the actuarial present value, the changes are recognised as past service costs. Past service costs are recognised immediately, provided that employees have already earned the changed benefits. Otherwise, the past service costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension scheme constitutes a net asset, the asset is only recognised if it offsets future refunds from the scheme or will lead to reduced future payments to the scheme.

The company's obligations in respect of defined-benefit schemes constitute obligations towards employees in the Swedish and Norwegian branches.

Provisions

Provisions for jubilee bonuses and payments on retirement are gradually accumulated over the period of employment. The liability is calculated by taking into account expected staff turnover based on the company's experience.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation.

On measurement of provisions, the expenditure required to settle the obligation is discounted if the amounts fall due more than 12 months after the period in which they are earned. A pre-tax discount rate is used that reflects the current market interest rate level and the risks specific to the obligation.

Deposits with ceding undertakings

Deposits with ceding undertakings include amounts received from reinsurers which have been deposited to cover the liabilities of reinsurers towards the company. Deposits with ceding undertakings are measured at amortised cost, which usually corresponds to the nominal value.

Accruals and deferred income

Accruals and deferred income are measured at cost, equivalent to the measurement made on initial recognition.

Notes to the financial statements

Note

Methods for calculating financial ratios

The financial ratios have been calculated in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds. The ratios included in the five year summary have been calculated as follows:

Claims ratio	The relation between claims incurred and earned premiums. Earned premiums are reduced by bonuses and rebates.
Expense ratio	The relation between operating expenses and earned premiums. Earned premiums are reduced by bonuses and rebates. Operating expenses are calculated as the sum of acquisition costs and administrative expenses.
Combined ratio	The sum of the gross claims ratio, the gross expense ratio and the net reinsurance ratio, which shows profit/loss from reinsurance in proportion to gross earned premiums less bonuses and rebates.
Operating ratio	Calculated as the combined ratio, but based on the claims ratio, the expense ratio and the net reinsurance ratio where the allocated investment return has been added to earned premiums in the denominator.
Relative run-off result	The run-off result in relation to the corresponding opening provision.
Return on equity in %	Profit for the year in relation to average equity.
Solvency ratio in %	Capital base less deduction in relation to capital requirement.

Notes to the financial statements

Note

2 Risk information

For Codan Forsikring, as an insurance company and a company accepting risk, it is important that risks are managed in a controlled manner. This requires structured risk management. Risk management covers all situations that could affect the future operation and development of the company.

The Board of Directors is responsible for ensuring that the company is financially strong, taking into account the company's funding needs, liquidity, financial position and generally accepted business practice.

The Board of Directors is ultimately responsible for risk management and internal control, including for setting a framework for risk management and risk control. The company's risk management must permeate the organisation, and efforts are made to ensure accountability and transparency in terms of clear ownership of risks and the management of these within the risk appetite framework.

Codan Forsikring operates in accordance with a three lines of defence model. The operative activities make up the first line of defence. Risk and Compliance units constitute the second line of defence, and Internal Audit makes up the third line of defence.

The Risk function ensures that relevant risk information is discussed and addressed by Codan Forsikring's management with a view to analysing the risk exposure. One of the function's main activities is to build capability as well as challenge and control the risk assessment provided by the first line of defence. The Risk function also monitors the risk management system's maturity in the organisation and suggests developments of the governance in terms of risk, i.e. risk strategy and appetite to be adopted by the Board of Directors. With regard to risks, the Risk function presents independent views to relevant committees, which in turn are challenged and reviewed by the Own Risk & Solvency committee (ORSA).

The Compliance function serves in a supporting role to ensure that operations are conducted in accordance with applicable rules as well as monitors regulatory compliance.

Internal Audit performs independent risk management assessments on a regular basis in accordance with the agreed Internal Audit Year Plan, and verifies that controls are appropriate for their purpose. Internal Audit reports to the Board of Directors on a quarterly basis.

The Risk organisation changed in Q2 2015 to be comprised of Enterprise Risk Management, Insurance Risk, and Capital and Internal Model Governance. The Compliance function was moved to the Legal function now referred to as the Legal & Compliance function.

The Own Risk & Solvency committee (ORSA) ensures that the CEO and the management on a quarterly basis receive adequately prepared and detailed material as a basis for their respective decisions. The Committee serves in an advisory role and reports to the CEO. The work of the ORSA forms the basis of risk reporting to the Board of Directors.

As an integral part of the reporting, it is monitored whether the exposure is within the risk appetite as defined by the Board of Directors.

Insurance risks

The Underwriting Policy issued by the Board of Directors sets out the risks which the company can accept. This policy clearly describe the risk appetite and the acceptance limits that the Board of Directors is prepared to allocate to the various risks which have been evaluated, priced and accepted by the company's underwriters.

Codan Forsikring builds on underwriting capability as one of the key drivers for delivering sustainable profitable performance. To support the sound implementation of the Underwriting Policy, an underwriting framework outlines the classes and nature of the insurance risks which Codan Forsikring is willing to underwrite, how these are to be priced and the levels of capital that are acceptable to put at risk.

Notes to the financial statements

Note

The focus of the Underwriting function is to ensure that premiums charged are sufficient to cover the cost of claims and expenses and provide a suitable margin for delivering a sustainable return for shareholders. Codan Forsikring places major focus on risk selection and risk quality and takes a disciplined approach to pricing in order to meet these objectives. A majority of the customers are offered a premium which is set according to tariffs and risk factors calculated by price actuaries. For major commercial customers, premiums are based on the respective companies' operations and performance history. The authority exercised by the respective underwriters is controlled by a personal underwriting licence based on the underwriter's capabilities.

Codan Forsikring places great emphasis on portfolio management to provide overview to its front-line underwriting activities and ensure that a clear strategy is defined for each class of business and at an aggregate level across the portfolio. Each portfolio manager/product director reviews and communicates an annual Portfolio Strategy Statement for approval by the Board of Directors. It outlines the direction of the portfolio, establishes a clear underwriting risk appetite and sets clear financial targets for the coming year.

As part of Codan Forsikring's Risk Management Framework, the portfolio manager/product director makes assessments against a standard set of KPIs on a quarterly basis. These are reported by the Underwriting function to the Board of Directors in an effort to monitor portfolio performance, identify areas of interest and plan risk mitigation actions.

Codan Forsikring's ability to underwrite a diversified portfolio of business is another key control in relation to insurance risk. An annual operational business plan is adopted by the Board of Directors. This plan lays out the operating targets for each line of business, insurance classes within which insurance may be underwritten and in which geographical areas and sectors Codan Forsikring is willing to underwrite contracts. The plan also stipulates quantitative maximum limits of exposure in various risk areas. The business plan is implemented in the organisation via Portfolio Strategy Statements and underwriting guidelines issued to the company's underwriters.

In order to ensure that tariffs remain updated and are positioned to deliver the results set out in Codan Forsikring's business plan, dedicated personal and commercial pricing teams follow a structured pricing process. The pricing and portfolio management teams interact and challenge each other to ensure a clear link between portfolio strategy and pricing actions. All insurance contracts have terms with limits specified in the authority delegated by the Board of Directors. All insurance contracts are written for specified terms. The ability to alter the terms of a contract is controlled via the Delegated Authority Framework. All policies have a built-in right for the company to decline a renewal or to amend the terms and conditions in connection with renewal. Exceptions are handled through Executive Licence Extensions or Special High Risk Licences.

Codan Forsikring reviews its accepted insurance risk on a regular basis and assesses these in relation to the company's underwriting, reinsurance and capital policies.

Insurance risk concentration

Risk limitation is also conducted through reinsurance. Insurance business is by nature exposed to major fluctuations. By ceding business to reinsurers, the consequences of very large claims can be limited, and the size of exposures can thus be managed and the company's equity protected. Reinsurance is purchased partly in proportion to the total risk that the company is exposed to in various areas and partly as an upper limit to how large the risk may be in a given area. Reinsurance can also be purchased on a facultative basis for large, individual contracts. Codan Forsikring's own costs per claim event, its net retention and the upper limit to which the reinsurance protection covers costs per claim event vary from product to product. The amount of net retention is decided by the Board of Directors for the various types of insurance risks. The level is reviewed annually by the Board of Directors to ensure that it is acceptable.

The Reinsurance Policy determines how reinsurance protection is to be structured to protect Codan Forsikring's equity.

Notes to the financial statements

Note

Insurance risk is concentrated in Denmark, Sweden and Norway, from where most of Codan Forsikring's premium income derives.

To ensure that Codan Forsikring's exposure to underwriting risk and its capital base remain appropriate, a structured reinsurance programme is in place to protect the company against large losses on individual risks as well as catastrophe events such as weather-related events. Codan Forsikring is included in the Codan Group's overall reinsurance programme.

Non-catastrophe risks

Codan Forsikring's reinsurance program for 2015 was an excess of loss programme with a maximum retention of DKK 100 million for any one risk (SEK 125 million for the Swedish branch), any one event in respect of buildings, contents and business interruption insurance. The retention for accident claims was DKK 100 million, DKK 25 million (SEK 30 million for the Swedish branch) for liability and DKK 30 million (SEK 40 million for the Swedish branch) for motor third party liability claims. In respect to the Marine Hull and Renewable off-shore Energy sector the retention was USD 15 / 25 million respectively. All reinsurance contracts are purchased on a Scandinavian or global basis, thereby reducing costs.

The Codan Group offers its customers insurance cover for terrorist attacks, and the risk is reinsured both on a per risk and a per event basis. The Codan Group offers different limits of liability for terrorist attacks in the various regions but always within the company's reinsurance limit. If additional cover is needed, the Codan Group will purchase additional cover in the reinsurance market. In Denmark, a Nuclear, Biological, Chemical and Radioactive (NBCR) Pool is in place, whereas in the other regions this peril is excluded in the original policies. Predicting the number of claims arising from such events still poses a challenge, but the objective of the Codan Group is to control the allocation of resources to the individual risk.

Storm and catastrophe risk

Codan Forsikring has taken out reinsurance cover for catastrophe events together with other companies in the RSA Group. In respect of natural disaster claims, reinsurance cover for a once-in-200-years event has been purchased, with a combined RSA Group retention of GBP 25 million.

For personal accident and life catastrophe events of a sudden nature, like a ferry accident or a tsunami, Codan Forsikring has a shared reinsurance contract with the rest of the Codan Group companies. In 2015, the maximum net retention for Codan Forsikring was DKK 100 million per event.

Reinsurance contracts are associated with a certain level of credit risk. This is described in more detail under the section on financial risks below. Reinsurers' creditworthiness is monitored on a regular basis to ensure that the contracted reinsurance cover is maintained.

Reserving risk

Reserving risk, i.e. the risk that technical provisions will not be sufficient to settle incurred claims, is managed primarily through actuarial methods and through careful, continuous monitoring of reported claims.

The documentation for determining the level of provisions to cover future risks is based on Codan Forsikring's experiences and generally accepted actuarial techniques for estimating provisions. Codan Forsikring uses numerous statistical methods and analyses to determine the likely outcome of future claims payments. These methods and analyses are affected by the uncertainty that exists in estimating future payments while taking into account the amount and date of payment.

Claims trends and reserve levels are reviewed quarterly and form the documentation for reserve reporting. The Reserve Committee reviews the reserve methodology and monitors the development of reserves. The Reserve Committee, which is chaired by the CFO, serves in an advisory role, reports to the CEO and meets at least once every quarter.

Notes to the financial statements

Note

Financial risk

Market risks and investment strategy

The company's investment strategy is balanced to achieve a number of goals and to ensure compliance with laws and regulations.

Through close internal and external portfolio management and control, the aim is to maximise the return while at the same time ensuring:

- Legislative and risk compliance
 - Ensuring that investments are in compliance with the investment rules set out in legislation
 - Ensuring full compliance with the Investment Policy laid down by the Board of Directors
 - Ensuring that the exposure of the investment portfolio is within the limits set
- Operational efficiency
 - Ensuring that liability cash flows are reflected in the structure of the investment portfolio
 - Ensuring that an investment management policy has been adopted
 - Ensuring cost control

Investment management

Codan Forsikring has chosen an outsourcing strategy for managing its investments. External portfolio managers have been approved by the Board of Directors, and their investment authority is subject to Codan Forsikring's Investment Policy laid down by the Board of Directors. In 2015, the primary part of the portfolio was managed by external portfolio managers.

Codan Forsikring's Investment Policy lays down criteria for limiting and managing risks relating to individual investments and for concentration of risks. The Investment Committee monitors compliance with the investment strategy. The Committee serves in an advisory role, reports to the CEO, and meets at least once every quarter and when required by circumstances.

Liquidity and interest rate risk

The majority of Codan Forsikring's investments are in liquid listed bonds. Codan Forsikring maintains a conservative investment policy with a large share of the portfolios consisting of government bonds and highly rated securities.

Codan Forsikring's short-term liquidity is monitored through ongoing cash management. Long-term cash management is handled through ALM (Asset Liability Management).

Changes in interest rates are among the risk factors which affect Codan Forsikring's financial risks. A significant aspect of Codan Forsikring's risk management is to have a portfolio of fixed-income securities that acceptably balances the opposing profit and loss effects of interest rate movements on assets and liabilities.

The company's exposure with respect to fixed income assets and various liabilities is shown in the table below.

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK million						
2015	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Danish government bonds	-	1,036.7	-	887.3	-	335.9	2,259.9
Danish fixed rate mortgage bonds	1.8	660.2	1,032.2	747.0	-	1,842.2	4,283.4
Danish floating rate mortgage	300.2	-	-	-	-	-	300.2
Other Danish bonds	71.1	448.1	-	-	-	156.8	676.0
Swedish government bonds	617.8	957.3	-	1,595.2	1,580.8	1,859.5	6,610.6
Swedish fixed rate mortgage bonds	405.3	305.3	2,662.2	524.2	2,664.8	2,291.5	8,853.3
Other Swedish bonds	-	102.5	-	-	1,105.2	-	1,207.7
Other European bonds	693.4	884.0	420.6	582.0	1,574.2	3,736.2	7,890.4
Norwegian floating rate mortgage bonds	349.5	-	-	-	-	-	349.5
US bonds	2.8	12.2	104.7	-	34.3	-	154.0
Other loans, deposits with credit institutions, call deposits, etc.	1,036.2	-	-	-	-	-	1,036.2
Other	3.5	-	-	-	-	8.0	11.5
Receivables from Group entities	1,355.8	-	-	-	-	-	1,355.8
Financial assets	4,837.4	4,406.3	4,219.7	4,335.7	6,959.3	10,230.1	34,988.5
Amounts owed to Group entities	26.0	-	-	-	-	-	26.0
Lease payables	12.1	7.4	0.4	-	-	-	19.9
Financial liabilities	38.1	7.4	0.4	-	-	-	45.9

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK million						Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
2014							
Danish government bonds	597.2	-	839.4	-	912.0	354.3	2,702.9
Danish fixed rate mortgage bonds	560.7	679.9	566.2	738.3	407.6	2,687.9	5,640.6
Danish floating rate mortgage	-	399.4	-	-	297.8	8.4	705.6
Other Danish bonds	-	312.6	463.0	-	-	161.4	937.0
Swedish government bonds	331.4	646.2	951.9	-	1,585.6	3,181.2	6,696.3
Swedish fixed rate mortgage bonds	1,225.6	557.0	444.3	2,617.5	236.9	4,530.0	9,611.3
Other Swedish bonds	-	41.6	101.5	-	-	239.0	382.1
Other European bonds	776.7	260.4	686.3	336.0	504.6	4,897.5	7,461.5
Norwegian floating rate mortgage bonds	-	173.7	124.4	-	75.3	-	373.4
US bonds	-	14.6	-	-	-	-	14.6
Other loans, deposits with credit institutions, call deposits, etc.	1,207.4	-	-	-	-	-	1,207.4
Other	14.7	-	-	-	-	-	14.7
Receivables from Group entities	2,100.7	-	-	-	-	-	2,100.7
Financial assets	6,814.4	3,085.4	4,177.0	3,691.8	4,019.8	16,059.7	37,848.1
Amounts owed to Group entities	104.0	-	-	-	-	-	104.0
Lease payables	13.5	11.2	5.4	-	-	-	30.1
Financial liabilities	117.5	11.2	5.4	-	-	-	134.1

The table below shows the effective interest rate and duration of financial assets and liabilities at 31 December.

	Effective interest rates		Duration	
	2015	2014	2015	2014
Financial assets				
Danish government bonds	-1.2	0.1	3.1	3.6
Danish mortgage bonds	1.3	1.5	2.8	1.1
Other Danish bonds	1.4	0.0	2.9	0.0
Swedish government bonds	0.4	0.6	5.8	3.8
Swedish mortgage bonds	1.0	0.8	4.2	4.6
Other Swedish bonds	1.2	1.3	4.3	5.8
Norwegian bonds	1.4	1.8	3.3	2.2
Other European bonds	1.4	0.9	6.8	6.3
US bonds	1.0	0.9	3.5	1.9
Other global bonds	0.7	0.0	4.0	0.0
Deposits with credit institutions, call deposits, etc.	0.0	0.1		
Receivables from Group entities	1.8	0.2		
Financial liabilities				
Amounts owed to Group entities	0.0	0.2		

Notes to the financial statements

Note

Currency risk

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Codan has a large net exposure to SEK through one of its branches which, however, mitigates this risk through the use of FX forward contracts. Apart from the investments in subsidiaries and branches, Codan Forsikring's net exposure to currency risk is limited, as the company's strategy for managing currency risk is to ensure that the assets match the currency of the corresponding liabilities.

The company's most significant currency exposures are detailed in the table below (stated in DKK).

The Company's most significant currency exposures are detailed in the table below stated in DKK million.

Currency risk	DKK million					
	2015					
	USD	SEK	GBP	EUR	NOK	Other currency
Financial assets						
Interests in associates	-	19.0	-	-	-	-
Equity investments	53.4	0.4	-	1,052.2	-	254.5
Units in open-ended funds	-	105.3	-	714.9	-	-
Bonds	600.5	21,195.2	-	1,551.4	1,615.8	-
Other loans, deposits with credit institutions, call deposits, etc.	20.8	448.7	34.1	158.4	176.3	15.0
Derivative asset	-	-1,814.4	-	-	1.9	-
Intangible assets	-	475.7	-	-	12.5	-
Property and equipment	-	17.3	-	1.4	1.5	-
Receivables from policyholders, brokers and insurance companies	138.8	2,147.5	26.6	633.1	331.9	2.5
Receivables from Group entities	-73.1	632.8	-9.7	60.9	2,288.1	-4.3
Other receivables	0.1	153.5	-	0.1	2.5	-
Assets held for sale	-	2.5	-	-	-	-
Current tax asset	-	218.5	-	-	-	-
Deferred tax assets	-	-	-	-	149.0	-
Prepayments and accrued income	1.4	323.5	-	11.4	29.2	-
Reinsurers' share of insurance contract provisions	591.8	318.0	194.3	76.5	19.4	9.0
Financial liabilities						
Payables arising from direct insurance and reinsurance	38.7	-28.6	-13.2	-73.3	-7.7	-
Amounts owed to Group entities	13.2	-565.5	2.2	-79.3	-2,273.2	-
Provisions	-	-144.8	-	-	-9.5	-
Other payables	-4.6	-1,287.6	-0.3	-1.1	-105.6	-
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-92.4	-	-	-	-
Insurance liabilities	-989.8	-20,209.7	-413.0	-1,043.0	-1,500.8	-30.9
Currency risk	391.2	1,914.9	-179.0	3,063.6	731.3	245.8

Notes to the financial statements

Note

Currency risk	DKK million		2014				
	USD	SEK	GBP	EUR	NOK	Other currency	
Financial assets							
Interests in associates	-	14.3	-	-	-	-	
Equity investments	45.4	21.1	-	821.5	-	214.4	
Units in open-ended funds	-	-	-	317.7	-	-	
Bonds	581.6	21,126.5	-	1,430.6	1,296.3	-	
Other loans, deposits with credit institutions, call deposits, etc.	9.3	750.6	22.3	58.3	264.8	2.7	
Derivative assets	-	2.8	-	-442.7	-	-	
Intangible assets	-	507.1	-	66.4	41.5	-	
Property and equipment	-	15.3	-	1.4	1.2	-	
Receivables from policyholders, brokers and insurance companies	151.1	1,956.6	68.9	277.4	335.5	2.5	
Receivables from Group entities	-32.5	1,437.2	-18.6	107.4	2,148.3	-1.2	
Other receivables	-	6.7	-	-	7.7	-	
Assets held for sale	-	2.0	-	-	-	-	
Deferred tax assets	-	-	-	-	125.2	-	
Prepayments and accrued income	1.2	331.9	-	11.3	27.0	-	
Reinsurers' share of insurance contract provisions	551.9	530.1	236.1	1.1	34.5	9.3	
Financial liabilities							
Payables arising from direct insurance and reinsurance	-15.7	-27.1	-114.3	-1.1	-17.7	-0.4	
Amounts owed to Group entities	13.7	-410.7	0.9	-3.7	-2,147.9	-0.2	
Provisions	-	-148.4	-	-	-	-	
Other payables	-	-922.2	-0.1	-6.8	-177.7	-	
Current tax liabilities	-	-120.2	-	-	-	-	
Deferred tax liabilities	-	-76.7	-	-	-	-	
Insurance liabilities	-900.4	-19,361.6	-323.0	-675.3	-1,632.2	-22.1	
Currency risk	405.6	5,635.3	-127.8	1,963.5	306.5	205.0	

Equity risk

Codan Forsikring has chosen to place a small share of its investments in equity investments, thereby limiting the company's equity risk. On 31 December 2015, Codan Forsikring had a total amount of DKK 1,382 million or 3.8% of its other financial assets invested in equities.

Inflation risk

A significant part of technical provisions in Codan's subsidiaries is index-linked, and Codan is consequently exposed to inflation through its subsidiaries. The inflation exposure is to some extent reduced by investments in inflation-linked assets. Further, investments in short-dated nominal bonds, cash products, equity and property (where rent is indexed with inflation) also provide some protection against inflation.

Credit risk

Codan Forsikring has a policy for receivables from policyholders and reinsurers. In accordance with this policy, reinsurance contracts are only concluded with selected sound reinsurers in order to reduce the credit risk. The credit risk relating to reinsurers is monitored continuously. For a reinsurer to be considered, a rating of at least A (Standard & Poor's) or the equivalent is normally required. This minimum standard is set out in the Board of Directors' guidelines, and quarterly reports are submitted to the Board of Directors for the purpose of monitoring and evaluating the exposure.

Notes to the financial statements

Note

Credit risk relating to investments

Codan Forsikring's investment portfolio primarily consists of AAA-rated government and mortgage bonds. European corporate bonds with a lower rating are also included in the investment portfolio must have a credit rating of at least BBB. Furthermore, Codan Forsikring has a minor exposure to unrated loans via funds. These investments are made to achieve a higher return and build a more diversified investment portfolio.

The credit quality of Codan Forsikring's bond portfolio based on S&P ratings is shown in the following table:

Rating	DKK million	2015	2014
AAA		28,794.7	30,962.7
AA		1,578.6	832.4
A		1,482.3	1,980.9
BBB		538.4	386.7
Non-rated		191.0	362.6
Bonds		32,585.0	34,525.3

The maximum exposure to credit risk is shown in the table below.

Credit risk is defined as the risk of failure to meet contractual payment obligations and negative developments in credit rating.

Maximum credit risk	DKK million	2015	2014
Danish government bonds		2,259.9	2,702.9
Danish fixed rate mortgage bonds		4,283.4	5,640.6
Danish floating rate mortgage bonds		300.2	705.6
Other Danish bonds		676.0	937.0
Swedish government bonds		6,610.6	6,696.3
Swedish fixed rate mortgage bonds		8,853.3	9,611.3
Other Swedish bonds		1,207.7	382.1
Other European bonds		7,890.4	7,461.5
Norwegian floating rate mortgage bonds		349.5	373.4
US bonds		154.0	14.6
Other loans, deposits with credit institutions and call deposits, etc.		1,036.2	1,207.4
Other		11.5	14.7
Deposits with ceding undertakings		4.5	6.7
Reinsurers' share of provision for unearned premiums		170.1	133.5
Reinsurers' share of provision for claims		1,621.2	2,206.6
Receivables from policyholders		3,797.5	3,276.9
Receivables from brokers		62.6	73.9
Receivables from insurance companies		202.1	185.8
Receivables from Group entities		1,355.8	2,100.7
Other receivables		199.2	344.5
Current tax assets		252.5	30.9
Accrued interest and rent		398.4	447.2
Maximum credit risk		41,696.6	44,554.1

Notes to the financial statements

Note

Spread risk

Codan Forsikring has a large part of its bond portfolio invested in mortgage- and corporate bonds. These bonds are associated with credit spread risk as the credit spread over government yields can fluctuate. This credit spread risk is managed by having well-defined risk appetite statements and investment limits to credit exposure.

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.

Codan Forsikring focuses on maintaining good internal control, among other things through suitable routines and instructions, clearly defined responsibilities and division of duties between employees, IT support with automated reconciliation, controls and authorisation systems, and internal information and reporting processes to meet the management's requirements for information on the company's risk exposure.

Responsibility for management of risks rests with the risk owner in the relevant business function. It is the risk owners' responsibility to assess and report to the Enterprise Risk Management function on the size and nature of the risks and related controls, with the supporting rationale of the assessments including gauging against prevailing risk appetite. This information is reported periodically to the Own Risk & Solvency committee (ORSA) and subsequently provided to the Board of Directors with risk reporting.

Compliance risk

Compliance risk is the risk of non-compliance with laws, regulations and internal rules as well as good practice or generally accepted good business standard regarding the regulated activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Codan focuses on maintaining good internal control by appropriate routines and instructions and clearly defined roles and responsibilities for the employees. The Compliance function within Legal & Compliance follows up that the business remains compliant. The day-to-day responsibility to manage compliance risk lies with the risk owners in the respective businesses. It is the responsibility of the risk owner to evaluate and manage the risk, with support from the Compliance function, which deliver quarterly reports on compliance risks to the Board of Directors, and the CEO.

The ultimate responsibility of the business remaining compliant lies with the Board of Management and the Board of Directors.

Emerging risk

Emerging risks are identified in the discussions with each business function with input from industry surveys and reports, and reported to the Board of Directors and Risk and Assurance Oversight Committee on a quarterly basis.

Sensitivity analysis

Codan Forsikring uses a number of sensitivity or stress test-based risk management tools to understand the impact on the company's results and financial position in both normal and stressed market conditions. The table below shows the impact of various factors on the company's earnings, and consequently also its equity.

Notes to the financial statements

Note

Sensitivity analysis:

Impact on equity	DKK million	2015	2014
Occurrence:			
0.7-1.0 percentage point increase in interest rates		-52.7	-181.2
0.7-1.0 percentage point decrease in interest rates		-13.8	121.6
12.0 per cent fall in share prices		-264.3	-173.1
8.0 per cent fall in property prices		-1.0	-1.0
Currency risk (Value-at-risk 99.0)		-91.1	-164.4
Counterparty losses of 8.0 per cent (credit and counterparty risk)		-409.2	-520.5

Capital and solvency

Codan Forsikring calculates and monitors capital measures. Capital measures include accounting equity, capital available, and capital requirements as set out in the Danish Financial Supervisory Authority's and Solvency II regulation. The capital requirement is calculated using an internal model, and is stress tested using, for example, the traffic light scenarios of the Danish Financial Supervisory Authority.

The capital available is calculated as the difference between the allowed assets and liabilities. Allowed assets and liabilities are determined by the applicable rules for each evaluation basis. The base capital, calculated in accordance with the rules of the Danish Financial Supervisory Authority, is set out in Note 23.

The Board of Directors has established two different warning levels for the size of the capital. If the red or amber levels are reached, the Board of Directors must be notified immediately. The red level aims to give the management sufficient time to act before the capital strength level required for a general insurance company according to the Danish Financial Supervisory Authority is reached. The amber level is intended to alert the management and allow for the capital contingency plan to be enacted ensuring that the red level is not reached. The level for the amber alert is based on an overall risk assessment.

The Board of Directors has laid down directions for registration of assets needed to cover the technical provisions and specified a preferred excess cover. In addition, a required excess cover based on the risk of the current technical provisions is calculated monthly.

Codan Forsikring has implemented a process for the continuous monitoring of the above-mentioned capital measures and has set up an advisory Capital Management Committee. A Capital Scorecard is used as a tool in this process. All capital requirements are currently met for all capital categories.

Dividend potential

When the distribution of profits is determined, the above-mentioned risks and capital position form part of the assessment as to whether dividends can be distributed in accordance with the Danish Financial Business Act and the Companies' Act. When determining the dividend potential, the contingent liabilities are also included in the assessment.

Notes to the financial statements

Note	DKK million				
3 Key figures and financial ratios					
Five year summary	2015	2014	2013**	2012**	2011* **
Gross earned premiums	16,085.2	16,497.9	16,795.0	16,533.8	15,422.1
Gross claims incurred	-11,674.0	-11,708.7	-11,224.1	-12,003.9	-11,699.5
Total operating expenses	-3,363.2	-3,490.3	-3,269.5	-3,063.0	-2,703.6
Profit/loss from reinsurance	-395.6	-310.1	-318.2	-323.4	253.4
Balance on the technical account	551.9	947.6	1,928.3	802.1	1,038.2
Investment return after technical interest	149.0	1,330.8	-92.3	1,519.5	1,889.9
Profit for the year	520.7	2,100.7	1,468.4	1,956.7	2,190.0
Run-off gain/loss, net of reinsurance	-440.1	103.6	1,347.8	131.6	491.0
Total technical provisions	32,797.7	31,561.9	32,160.3	34,421.3	32,614.2
Total insurance assets	1,791.3	2,340.1	3,416.4	3,837.3	3,386.4
Total equity	10,618.7	12,687.9	13,485.2	12,545.4	12,519.1
Total assets	46,101.8	48,261.3	49,571.2	51,314.3	50,357.2
Financial ratios					
Gross claims ratio	73.0	71.3	67.1	73.1	76.2
Gross expense ratio	21.0	21.2	19.5	18.6	17.6
Combined ratio	96.5	94.4	88.6	93.7	92.1
Operating ratio	96.5	94.2	88.5	95.0	93.2
Relative run-off result	-1.9	0.5	5.6	0.5	2.1
Return on equity in %	4.5	15.8	11.3	15.6	17.7
Solvency ratio in %	344	318	320	378	312

* Key figures and financial ratios have been restated to reflect the merger with Trekroner Forsikring A/S.

** Key figures and financial ratios have been restated to reflect the merger with Trygg-Hansa Försäkrings AB.

Notes to the financial statements

Note	DKK million	2015	2014
4 Gross earned premiums			
Gross premiums written		16,559.2	16,552.0
Change in the provision for unearned premiums, gross		-474.0	-54.1
Gross earned premiums		16,085.2	16,497.9
Gross earned premiums from direct insurance by geographical location of the risk:			
Denmark		4,731.4	5,095.9
Other EU countries		9,424.8	9,388.0
EEA countries		1,738.7	1,844.8
Other countries		7.6	8.9
Direct insurance		15,902.5	16,337.6
Gross earned premiums from indirect insurance:			
General insurance		182.7	160.3
Indirect insurance		182.7	160.3
Gross earned premiums		16,085.2	16,497.9
5 Technical interest			
Yield calculated on technical provisions		73.1	198.4
Technical interest transferred to general insurance		73.1	198.4
Increase in technical provisions attributable to discounting		-86.3	-170.2
Technical interest		-13.2	28.2
6 Claims incurred, net of reinsurance			
Claims incurred include the following run-off results:			
Run-off loss/gain, gross		-402,4	207,1
Run-off loss, ceded business		-37,7	-103,5
Run-off gain, net of reinsurance		-440,1	103,6

The run off gain for 2014 is primarily attributable to Danish Workers compensation. In 2015 the run off deficit relates to a significant reserve strengthening of Personal Accident run off products in our Swedish business relating to accident years prior to 2007. Excluding this segment the run off was overall positive.

Notes to the financial statements

Note	DKK million	2015	2014
7 Net operating expenses			
Staff costs:			
Wages and salaries		-1,852.4	-1,954.4
Defined contribution schemes		-272.1	-311.7
Other social security costs		-267.9	-285.6
Payroll tax		-123.0	-124.2
Share-based payment costs		-21.0	-12.2
Employment agency costs		-65.2	-51.2
Other staff costs		-86.2	-93.6
		-2,687.8	-2,832.9
Commissions, underwriters and brokers		-518.2	-579.1
Commissions, other insurance companies		-17.9	-14.6
Depreciation		-197.4	-423.5
Rent		-128.3	-128.9
Other acquisition costs and administrative expenses		-13.8	234.3
Reimbursements from Group entities		200.2	254.4
Reinsurance commissions and profit participation		30.5	14.4
Net operating expenses		-3,332.7	-3,475.9
Total payroll costs, including commissions to tied agents, in respect of direct insurance		-1,936	-2,046
Converted into full-time employees, the average number of persons employed during the financial year was 3388. persons (3604. persons in 2014).			
Fees to the company's auditor:			
KPMG prior year		-1.5	-0.5
KPMG current year		-6.8	-5.7
Remuneration, statutory audit		-8.3	-6.2
KPMG current year		-0.1	-0.4
Remuneration, other assurance engagements		-0.1	-0.4
KPMG prior year		-	-
KPMG current year		-	-0.3
Remuneration, other services		-	-0.3
Remuneration of the company's auditor		-8.4	-6.9

In addition to the above remuneration, costs have been paid in respect of the company's Internal Audit Department.

Notes to the financial statements

Note	DKK million	2015	2014
7 Net operating expenses (continued)			
Earned remuneration to current and former members of the Board of Directors and Board of Management of Codan Forsikring:			
Remuneration of the Board of Directors (fixed remuneration)			
Member of the Board of Directors:			
Lars Nørby Johansen		-0.7	-0.4
Christer Bjellert		-0.2	-
Anthony Latham		-0.6	-0.4
Jørgen Koch		-	-0.2
Jørgen Lykke		-	-0.2
Marianne Phillip		-0.4	-0.2
Maria Elisabeth Sandblom		-0.2	-
Christian Sletten		-0.2	-0.2
Remuneration to the Board of Directors		-2.3	-1.6
Remuneration of the Board of Management:			
Wages and salaries (fixed remuneration)		-9.7	-3.5
Bonuses (variable remuneration)		-1.1	-0.6
Pension benefits (fixed remuneration)		-2.1	-0.6
Share-based payments (variable remuneration)		-1.5	-0.5
Remuneration of the Board of Management		-14.4	-5.2
CEO Patrick Bergander		-7.0	-0.5
CFO Stig Pastwa		-2.7	-
Former CEO Vibeke Krag		-4.7	-4.7
Remuneration to the Board of Management		-14.4	-5.2
Number of employees in the Board of Management at 31 December		2	1
The company provides car, telephone and health insurance to the Board of Management. The taxable income hereof is included in the numbers above.			
Employees with material influence on the company's risk profile:			
Wages and salaries (fixed remuneration)		-42.4	-64.6
Bonuses (variable remuneration)		-4.1	-13.4
Pension benefits (fixed remuneration)		-6.8	-11.5
Share-based payments (variable remuneration)		-7.5	-9.3
Remuneration of employees with material influence on the company's risk profile		-60.8	-98.8
Numbers of employees with material influence on the Company's risk profile		44	72

Remuneration to the Board of Management, Board of Directors and employees with influence on the Company's risk profile are allocated between Codan A/S and Codan A/S's subsidiaries. The

Bonuses are linked to the bonus earned in 2015 but paid in 2016.

Notes to the financial statements

Note

7 Net operating expenses (continued)

The Board of Management participates in a number of incentive schemes. For further evaluation, see note 30.

The Board of Directors do not participate in incentive schemes as a result of their board duties at Codan Forsikring.

The number of staff designated as material risk takers has decreased as a consequence of Trygg-Hansa now being a branch of Codan Forsikring and no longer a separate legal entity, whereby the risk taker definitions follows the Danish FSA recommendation. Furthermore as a consequence of a new organizational setup fewer employees have Nordic responsibilities and thereby lower delegated authorities whereby fewer are designated as material risk takers.

Notes to the financial statements

Note	2015	DKK million		
8 Balance on the technical account, general insurance				
Balance on the technical account for general insurance in 2015 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
Gross premiums written	2,929.8	588.3	631.5	1,445.5
Gross earned premiums	2,892.4	581.8	636.4	1,495.7
Gross claims incurred	-2,674.1	-439.1	-560.2	-917.9
Bonuses and rebates	-1.6	-	-	0.3
Operating expenses, gross	-436.7	-175.5	-143.1	-327.1
Profit/loss from reinsurance	-13.0	-0.4	-0.2	-19.8
Technical interest	-2.5	-0.4	-0.4	-1.4
Balance on the technical account	-235.5	-33.6	-67.5	229.8
Number of claims paid	109,624	35,735	9,445	72,555
Average claims paid in DKK	24.4	12.3	59.3	12.7
Claims frequency	6.1%	26.6%	35.5%	6.6%
	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	3,431.0	521.9	2,680.3	3,294.8
Gross earned premiums	3,379.1	541.0	2,663.3	2,912.5
Gross claims incurred	-2,100.6	-548.3	-1,729.3	-1,999.6
Bonuses and rebates	-23.7	-2.2	-26.0	-19.4
Operating expenses, gross	-780.5	-127.3	-492.0	-648.3
Profit/loss from reinsurance	-5.4	-4.7	-17.1	-306.0
Technical interest	-2.6	-0.3	-2.1	-3.0
Balance on the technical account	466.3	-141.8	396.8	-63.8
Number of claims paid	278,897	8,552	184,740	25,647
Average claims paid in DKK	7.5	64.1	9.4	78.0
Claims frequency	21.6%	29.8%	19.9%	7.9%
	Liability	Tourist Assistance	Other insurance	Total general insurance
Gross premiums written	520.6	305.9	209.6	16,559.2
Gross earned premiums	515.2	258.4	209.4	16,085.2
Gross claims incurred	-416.4	-247.0	-41.5	-11,674.0
Bonuses and rebates	-0.6	-15.3	1.2	-87.3
Operating expenses, gross	-129.2	-38.2	-65.3	-3,363.2
Profit/loss from reinsurance	-11.0	-0.1	-17.9	-395.6
Technical interest	-0.2	-0.2	-0.1	-13.2
Balance on the technical account	-42.2	-42.4	85.8	551.9
Number of claims paid	9,612	21,036 *		755,914
Average claims paid in DKK	43.3	11.7		15.4
Claims frequency	19.2%	106.4%		13.0%

Gross earned premiums from non-proportional indirect general insurance amount to DKK 0.

*) Tourist assistance include collective insurance contract.

Notes to the financial statements

Note	2014 DKK million			
8 Balance on the technical account, general insurance (continued)				
Balance on the technical account for general insurance in 2014 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
Gross premiums written	2,888.2	587.8	549.1	1,661.2
Gross earned premiums	2,839.1	564.4	536.2	1,716.3
Gross claims incurred	-1,525.7	-446.1	-215.2	-1,437.1
Bonuses and rebates	-	-	-	0.8
Operating expenses, gross	-467.6	-195.6	-119.1	-332.0
Profit/loss from reinsurance	-37.3	0.6	-54.5	-58.6
Technical interest	10.8	0.5	0.4	6.7
Balance on the technical account	819.3	-76.2	147.8	-103.9
Number of claims paid	114,221	32,226	6,596	74,203
Average claims paid in DKK	13.4	13.8	32.6	19.4
Claims frequency	6.5%	28.8%	27.4%	6.1%
	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	3,469.4	573.0	2,657.9	3,189.8
Gross earned premiums	3,393.4	638.7	2,615.5	3,228.8
Gross claims incurred	-2,338.6	-444.0	-2,070.5	-2,204.9
Bonuses and rebates	-20.4	-0.1	-30.2	-4.5
Operating expenses, gross	-736.6	-152.5	-516.0	-738.9
Profit/loss from reinsurance	-20.3	-40.4	-44.6	-253.8
Technical interest	2.6	0.4	2.5	3.3
Balance on the technical account	280.1	2.1	-43.3	30.0
Number of claims paid	267,499	6,229	185,392	28,463
Average claims paid in DKK	8.7	71.3	11.2	77.5
Claims frequency	20.0%	18.1%	18.8%	10.4%
	Liability	Tourist Assistance	Other insurance	Total general insurance
Gross premiums written	568.0	198.3	209.4	16,552.0
Gross earned premiums	574.5	187.3	203.8	16,497.9
Gross claims incurred	-689.8	-174.9	-161.9	-11,708.7
Bonuses and rebates	-0.4	-14.6	-	-69.4
Operating expenses, gross	-149.4	-18.6	-64.0	-3,490.3
Profit/loss from reinsurance	272.8	0.3	-74.3	-310.1
Technical interest	0.9	0.1	-	28.2
Balance on the technical account	8.6	-20.4	-96.4	947.6
Number of claims paid	9,650	13,255 *		737,811
Average claims paid in DKK	71.5	13.2		15.9
Claims frequency	6.6%	98.8%		12.5%
Gross earned premiums from non-proportional indirect general insurance amount to DKK 0.				
*) Tourist assistance include collective insurance contract.				

Notes to the financial statements

Note	DKK million	2015	2014
8 Balance on the technical account, general insurance (continued)			
The average claims paid are calculated as claims costs for the year relative to the number of claims paid and are therefore affected by run-off gains and losses.			
The claims frequency is calculated as the number of claims paid relative to the average number of insurance contracts in the period, cf. the guidelines issued by the Danish Financial Supervisory Authority.			
9 Interest income and dividends, etc.			
Interest income from Group entities		22.2	45.6
Interest income from bonds, loans and deposits		1,012.0	1,090.2
Non-taxable interest income		0.3	0.2
Income from units in open-ended funds and other equity investments		80.3	55.3
Other interest income		14.0	15.4
Interest income and dividends, etc.		1,128.8	1,206.7
10 Value adjustments			
Group occupied properties		-0.6	-16.0
Equity investments		47.7	149.7
Units in open-ended funds		-3.9	6.6
Bonds		-1,156.8	1,526.7
Other loans		-78.0	7.7
Other investment assets		3.9	-0.5
Total investments		-1,187.7	1,674.2
Value adjustments, discounting of provisions for outstanding claims and other unrealised gain and losses		265.9	-1,384.0
Value adjustments		-921.8	290.2
Realised gains and losses on investments		-82.6	-33.2
Unrealised gains and losses on investments		-1,105.1	1,707.4
Other realised gains and losses		12.5	0.9
Value adjustments, discounting of provisions for outstanding claims and other unrealised gains and losses		253.4	-1,384.9
Value adjustments		-921.8	290.2
11 Other expenses			
Impairment of goodwill		-64.6	-
Other expenses		-64.6	-
12 Other income			
Profit from sale of insurance activities in Estonia		-	289.0
Other income		-	289.0

Notes to the financial statements

Note	DKK million	2015	2014
13 Tax			
Tax on total income for the year:			
Current tax expense		-173.0	-573.8
Change in deferred tax on temporary differences		52.5	100.4
Change in deferred tax resulting from change in tax rate		-15.3	0.7
Tax on total income for the year		-135.8	-472.7
Adjustments relating to previous years:			
Current tax for previous years		-18.0	-12.7
Adjustment of deferred tax at 1 January		33.1	11.1
Adjustments relating to previous years		15.1	-1.6
Tax expense		-120.7	-474.3
Tax is included as follows:			
Tax in the income statement		-115.6	-466.7
Tax on changes in equity		-5.1	-7.6
Tax expense		-120.7	-474.3
Total tax on total income for the year can be explained as follows:			
Profit before tax		636.3	2,567.4
Reversal of income from Group entities		-115.5	-125.8
Actuarial gains and losses on pension obligations recognised in equity		-2.7	0.5
Intra-group contribution recognised in equity		21.3	27.7
Total income		539.4	2,469.8
Applicable tax rate		23.5%	24.5%
Tax calculated on total income		-126.8	-605.1
Tax on permanent differences:			
Properties and other equity investments		-	0.1
Income not subject to tax		2.3	68.6
Expenses disallowed for tax purposes		-4.0	-23.6
Non- refundable dividend taxes		-8.2	-3.9
Different tax rates in countries where branches are located		4.5	109.9
Change in tax rate		-15.3	0.7
Other permanent differences relating to branches		-0.3	-21.0
Other permanent differences		12.0	1.6
Tax		-135.8	-472.7
Tax on total income for the year		-135.8	-472.7
Adjustment of tax relating to previous years		15.1	-1.6
Tax expense		-120.7	-474.3

Notes to the financial statements

Note	DKK million		
14 Intangible assets	Completed		T development
2015	IT development	Goodwill	projects in
	projects		progress
Cost, beginning of the year	1,320.2	561.9	575.1
Currency translation adjustments, foreign branches	14.3	12.0	5.1
Additions	0.4	-	116.3
Disposals during the year	-150.0	-	-37.9
Transferred from development projects in progress	466.4	-	-466.4
Cost, end of the year	1,651.3	573.9	192.2
Amortisation and impairment, beginning of the year	-898.5	-3.9	-228.7
Currency translation adjustments, foreign branches	-10.5	-0.1	-4.8
Intra-group portfolio transfer	-56.5	-	56.5
Impairment losses recognised in the income statement	-	-64.6	-6.0
Reversal of impairment losses relating to disposals during the year	-	-	37.9
Amortisation during the year	-145.5	-	-
Reversal of amortisation relating to disposals	150.0	-	-
Amortisation and impairment, end of the year	-961.0	-68.6	-145.1
Carrying amount, end of the year	690.3	505.3	47.1
Carrying amount, beginning of the year	421.7	558.0	346.4
2014			
Cost, beginning of the year	1,449.5	585.4	492.2
Currency translation adjustments, foreign branches	-46.8	-23.5	-10.9
Additions	7.0	-	174.5
Disposals during the year	-102.5	-	-32.7
Disposals regarding sale of Group entities during the year	-35.0	-	-
Transferred from development projects in progress	48.0	-	-48.0
Cost, end of the year	1,320.2	561.9	575.1
Amortisation and impairment, beginning of the year	-765.2	-4.2	-179.3
Currency translation adjustments, foreign branches	56.4	0.3	8.3
Impairment losses recognised in the income statement	-131.4	-	-90.4
Reversal of impairment losses relating to disposals during the year	66.5	-	32.7
Amortisation during the year	-160.6	-	-
Reversal of amortisation relating to disposals	35.8	-	-
Amortisation and impairment, end of the year	-898.5	-3.9	-228.7
Carrying amount, end of the year	421.7	558.0	346.4
Carrying amount, beginning of the year	684.3	581.2	312.9
	Net book value	Calculated headroom	WACC
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of:			
the Trekroner portfolio	131.2	9,634.7	7.71%
the Norwegian portfolios	3.8	23.9	7.71%
the Trygg Hansa portfolios	370.3	7,830.5	7.71%
Total goodwill 2015	505.3	17,347.0	

Notes to the financial statements

Note	DKK million		
14 Intangible assets (continued)	Acquired software licenses	Customer lists etc.	Total intangible assets
2015			
Cost, beginning of the year	28.4	98.2	2,583.8
Currency translation adjustments, foreign branches	-1.6	-1.4	28.4
Additions	-	-	116.7
Disposals during the year	-	-	-187.9
Cost, end of the year	26.8	96.8	2,541.0
Amortisation and impairment, beginning of the year	-23.9	-79.3	-1,234.3
Currency translation adjustments, foreign branches	1.5	1.4	-12.5
Impairment losses recognised in the income statement	-	-9.6	-80.2
Reversal of impairment losses relating to disposals	-	-	37.9
Amortisation during the year	-2.5	-9.3	-157.3
Reversal of amortisation relating to disposals during the year	-	-	150.0
Amortisation and impairment, end of the year	-24.9	-96.8	-1,296.4
Carrying amount, end of the year	1.9	-	1,244.6
Carrying amount, beginning of the year	4.5	18.9	1,349.5
2014			
Cost, beginning of the year	30.1	107.3	2,664.5
Currency translation adjustments, foreign branches	-2.1	-1.8	-85.1
Additions	0.4	-	181.9
Disposals	-	-	-135.2
Depreciation on disposals re. sale of Group entities	-	-7.3	-42.3
Cost, end of the year	28.4	98.2	2,583.8
Amortisation and impairment, beginning of the year	-22.9	-72.8	-1,044.4
Currency translation adjustments, foreign branches	1.8	6.7	73.5
Impairment losses recognised in the income statement	-	-	-221.8
Reversal of impairment losses relating to disposals during the year	-	-	99.2
Amortisation during the year	-2.8	-13.2	-176.6
Reversal of amortisation relating to disposals during the year	-	-	35.8
Amortisation and impairment, end of the year	-23.9	-79.3	-1,234.3
Carrying amount, end of the year	4.5	18.9	1,349.5
Carrying amount, beginning of the year	7.2	34.5	1,620.1

Amortisation is included in operating expenses and claims incurred.

Notes to the financial statements

Note	DKK million		
15 Total equipment 2015	IT equipment under finance leases	Other equipment	Total equipment
Cost, beginning of the year	131.0	280.5	411.5
Currency translation adjustments, foreign branches	0.6	7.2	7.8
Additions, including improvements	5.7	20.8	26.5
Disposals during the year	-	-15.3	-15.3
Cost, end of the year	137.3	293.2	430.5
Depreciation and impairment, beginning of the year	-101.4	-261.6	-363.0
Currency translation adjustments, foreign branches	-0.2	-6.8	-7.0
Depreciation during the year	-15.0	-9.6	-24.6
Depreciation on disposals	-	14.3	14.3
Depreciation and impairment, end of the year	-116.6	-263.7	-380.3
Carrying amount, end of the year	20.7	29.5	50.2
Carrying amount, beginning of the year	29.6	18.9	48.5
Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	
2014			
Cost, beginning of the year	100.1	307.2	407.3
Currency translation adjustments, foreign branches	-0.7	-16.5	-17.2
Additions, including improvements	31.6	5.8	37.4
Disposals during the year	-	-13.5	-13.5
Disposals regarding sale of Group entities	-	-2.5	-2.5
Cost, end of the year	131.0	280.5	411.5
Depreciation and impairment, beginning of the year	-90.8	-276.5	-367.3
Currency translation adjustments, foreign branches	0.1	15.4	15.5
Depreciation during the year	-10.7	-14.4	-25.1
Depreciation on disposals	-	12.2	12.2
Depreciation on disposals re. sale of Group entities	-	1.7	1.7
Depreciation and impairment, end of the year	-101.4	-261.6	-363.0
Carrying amount, end of the year	29.6	18.9	48.5
Carrying amount, beginning of the year	9.3	30.7	40.0
Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	

Notes to the financial statements

Note	DKK million	2015	2014
16 Group occupied properties			
Revalued amounts, beginning of the year		12.6	13.4
Additions during the year, including improvements		1.3	1.2
Value adjustments		-0.9	-2.0
		13.0	12.6

Group occupied property was valued in 2014 and 2015 by independent external valuers. The valuation was based on an active market for similar properties.

Notes to the financial statements

Note	DKK million	2015	2014
17 Investments in Group entities			
Cost, beginning of the year		1,563.2	1,563.2
Cost, end of the year		1,563.2	1,563.2
Adjustments, beginning of the year		-922.5	1,127.9
Exchange gains and losses		8.9	-27.3
Currency translation adjustment, subsidiaries		0.2	-
Profit for the year from Group entities		115.5	122.3
Dividends paid, capital reduction, etc.		-139.8	-1,605.0
Value adjustments re disposals, during the year		-	-567.1
Currency translation adjustment, sale of subsidiaries		-	26.7
Adjustments, end of the year		-937.7	-922.5
Carrying amount, end of the year		625.5	640.7

The value of investments in Group entities can be broken down as follows:

Besigtelses Kontoret af 1914 A/S	15.9	18.9
NIS 2 A/S	9.9	9.9
Holmia Livförsäkring AB	277.8	258.4
Forsikrings-selskabet Privatsikring A/S	321.9	353.5
	625.5	640.7

Equity in Group entities, which has formed the basis for the calculation of Codan Forsikring's share as specified above, has been determined in accordance with the accounting policies of Codan Forsikring.

All subsidiaries are separate entities.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results	Equity
Companies carrying on insurance business:				
Holmia Livförsäkring AB, SEK	Stockholm	100	77.5	331.5
Forsikrings-selskabet Privatsikring	Frederiksberg	100	48.5	321.9
Companies providing insurance-related services:				
Besigtelses Kontoret af 1914 A/S	Frederiksberg	100	-3.2	15.9
Investment companies:				
NIS 2 A/S	Frederiksberg	100	-	9.9

Results and equity in Group entities as stated above are in accordance with the latest annual report.

Notes to the financial statements

Note	DKK million	2015	2014
18 Current tax assets and liabilities			
Current tax assets and liabilities, beginning of the year		-89.3	-8.5
Currency translation adjustments		2.2	6.5
Current tax for the year		-173.0	-573.8
Adjustment of current tax relating to previous years		-18.0	-12.7
Corporation tax paid during the year		530.6	499.2
		252.5	-89.3
Current tax assets and liabilities, end of the year			
Current tax assets and liabilities are included as follows:			
Current tax assets		252.5	30.9
Current tax liabilities		-	-120.2
		252.5	-89.3
Current tax assets and liabilities			

Notes to the financial statements

Note	DKK million	2015	2014
19 Deferred tax assets and liabilities			
Deferred tax assets, beginning of the year		-61.7	-173.1
Currency translation adjustments		-12.2	0.7
Change relating to intangible assets		20.4	3.8
Change relating to property and equipment		-0.4	-2.4
Change relating to technical provisions		7.3	98.6
Change relating to liabilities and payables		8.5	49.9
Change relating to tax losses		34.3	-39.2
Deferred tax assets and liabilities, end of the year		-3.8	-61.7
Deferred tax for the year recognised in the income statement		36.5	101.2
Deferred tax for the year recognised in equity		0.7	-0.1
Total deferred tax for the year		37.2	101.1
Specification of deferred tax assets and liabilities at the end of the year:			
Intangible assets		-159.7	-177.7
Property and equipment		0.5	0.9
Other receivables and assets		3.9	4.1
Technical provisions		-65.9	-71.5
Liabilities and payables		65.8	55.6
Net tax losses carried forward		151.6	126.9
Deferred tax assets and liabilities, end of the year		-3.8	-61.7
Deferred tax assets and liabilities are included as follows:			
Deferred tax assets		149.0	125.2
Deferred tax liabilities		-152.8	-186.9
Deferred tax assets and liabilities		-3.8	-61.7
In accordance with the rules issued by the Danish Financial Supervisory Authority no provisions are made for deferred tax on untaxed transfers to contingency funds, cf. note 22.			
20 Accrued interest and rent			
Accrued interest from Group entities		-	1.6
Accrued interest from investments		398.4	443.2
Other accrued interest		-	2.4
Accrued interest and rent		398.4	447.2

Notes to the financial statements

Note	DKK million	2015	2014
21 Share capital			
The company's fully paid share capital can be broken down as follows:			
2 shares of DKK 1,000,000		2.0	2.0
1 share of DKK 2,000,000		2.0	2.0
2 shares of DKK 3,000,000		6.0	6.0
1 share of DKK 5,000,000		5.0	5.0
Share capital		15.0	15.0

No shares carry special rights. All shares carry full dividend rights. The company does not hold own shares. There has been no change in the share capital during the past 5 years.

22 Contingency funds

The contingency funds can be broken down as follows:

Contingency fund in the Swedish branch	4,319.5	4,178.1
Contingency fund A, created by resolution at the Annual General Meeting on 17 May 1966	313.5	313.5
Contingency fund B for general insurance, cf. Section 138(2) of Act No. 630 of 23 December 1980	1,062.8	1,062.8
Contingency fund C for workers' compensation insurance	18.8	18.8
Contingency funds	5,714.6	5,573.2
Of which untaxed	5,714.6	5,573.2

The contingency fund in Trygg-Hansa Försäkrings AB amounts to SEK 5,318 million in 2015 (SEK 5,318 million in 2014).

23 Total equity

Solvency margin and capital base:

Calculated solvency margin	2,449.9	2,393.0
Capital base to cover the solvency margin	8,419.4	7,605.7
Capital base is calculated as follows:		
Equity	10,618.7	12,687.9
Proposed dividend	-	-2,900.0
Equalisation reserves, credit and guarantee insurance	-59.2	-59.2
Value of intangible assets	-1,244.6	-1,349.5
Value of deferred tax assets	-149.0	-125.2
Solvency margin in subsidiaries	-200.1	-192.4
Deduction for discounting in the provision for outstanding claims	-543.5	-453.3
Deduction for discounting in the provision for outstanding claims in subsidiaries carrying on insurance business	-2.9	-2.6
Capital base to cover the solvency margin	8,419.4	7,605.7

Notes to the financial statements

Note	DKK million	2015	2014
------	-------------	------	------

24 Pension obligations

Pension obligations in Codan Forsikring are generally funded.

In respect of defined contribution schemes, the employer is under an obligation to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the salary). In a defined contribution scheme, the company does not bear the risk in relation to future developments in interest rates, inflation, mortality and disability. This is opposed to defined benefit schemes, where the employer is under an obligation to pay a defined benefit (e.g. a fixed amount or a percentage of the final salary).

62-year pensions

Together with other financial companies present in Sweden, the Company has entered a collective agreement regarding the employees' pensions. The pension agreement has been made through the Insurance Industry's Pensionfund (Försäkringsbranchens Pensionskassa, FPK) and it implies that Codan Forsikring together with the other companies in cooperation has obligations to pay the pension of their own employees in accordance with set rules. The pension plan in FPK can be viewed as a defined benefit

Codan Forsikring does not have access to information which allows the accounting for the pension plan as a defined benefit plan, and the plan is therefore accounted for as a defined contribution plan.

As part of the collective agreement the company has also entered agreement about defined benefit plans. The company's obligations under the defined benefit plan are recorded as expenses in the profit and loss account on an accrual basis.

Employees in Codan Forsikring Swedish branch born before or in 1955 are, according to the collective agreement, entitled to retire at 62. Those who choose to accept this opportunity obtain a pension from the employer for the time between the chosen retirement age and the ordinary retirement age. The pension is based on a calculation from FPK.

Norwegian branch pensions scheme

Codan Forsikring Norwegian branch pension scheme includes 307 active employees. The plan entitles to defined future benefits depending on number of years of service, salary level reached at pension age and size of national insurance benefits. The scheme is administered externally.

Present value of defined benefit schemes	58.7	79.2
Net liability recognised in the balance sheet	58.7	79.2

No assets have been separated to cover the pension obligation.

Notes to the financial statements

Note	DKK million	2015	2014
24 Pension obligations (continued)			
Development in present value of defined benefit obligations:			
Pension obligations, beginning of the year		79.2	102.4
Currency translation adjustments		1.4	-5.3
Pension costs for the year		3.5	-1.4
Calculated interest on obligation		1.3	1.4
Actuarial gains and losses		2.7	-0.5
Benefits paid		-29.4	-17.4
Pension obligations, end of the year		58.7	79.2
Pension costs recognised in the income statement:			
Calculated interest on obligation		-1.3	-1.4
Total recognised for defined benefit schemes		-1.3	-1.4
Total recognised for defined contribution schemes		-272.1	-311.7
Pension costs recognised in the income statement		-273.4	-313.1
Assumptions used in the calculation of pension obligations:			
Discount rate		1.5%	1.5%
Expected increase in salaries		3.0%	3.0%
Proportion of employees opting to use the plan		90.0%	85.0%
25 Other provisions			
Other provisions, beginning of the year		190.5	114.2
Currency translation adjustments		2.5	-3.4
Used during the year		-137.0	-87.6
Reversal of unused provisions		-2.3	-9.2
Provisions made during the year		180.4	176.5
Other provisions		234.1	190.5
Other provisions consists of:			
Provisions regarding sale of building		29.5	46.0
Provision regarding VAT-cases		49.5	50.1
Profit in Group Life Pool		52.5	53.6
Reorganisation		51.8	33.3
Lawsuits		30.5	0.0
Environmental duties		17.0	7.1
Other		3.3	0.4
Other provisions		234.1	190.5

Notes to the financial statements

Note	DKK million	2015	2014
26 Total provisions			
Current portion (less than one year)		78.2	67.0
Non-current portion (more than one year)		367.4	389.6
Total provisions		445.6	456.6

27 Total payables

No payables fall due more than five years after the balance sheet date.

Included in other payables are unsettled investment transactions etc. with DKK 0.0 million in 2015 (DKK 710 million in 2014).

Notes to the financial statements

Note

28 Related parties

Information on related parties

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

The company's related parties furthermore include the members of the Board of Directors and the Board of Management, and the boards of directors and boards of management and executives of Group entities as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors and the Board of Management, executives, major shareholders or other related parties. The management remuneration is shown in Notes 7 and 31.

Related party transactions

The company undertakes all administrative tasks for all wholly-owned Danish subsidiaries in the Codan Group. The company also undertakes all administrative tasks for the parent company, Codan A/S.

The company is a part of the Codan Group, whose companies work in a Nordic operating model. This means that there is co-operation on management, projects and certain functions in between the companies. In this connection the requirements set by the local Financial Supervisory Authorities are

The company has received intragroup contributions from related parties of DKK 16 million in 2015 (DKK 20 million in 2014).

Administration fees payable to and receivable from Group entities in the Codan Group are settled on a cost-covering basis. Rent payments to Group entities are made on market-based conditions.

Agreements on interest on inter-company balances on an arm's length basis were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 0.0 million in 2015 (DKK 4.6 million in 2014).

Agreements on interest on loans on market-based conditions were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 22 million in 2015 (DKK 41 million in 2014).

The company has lent out DKK 1,000.0 million to the sister company Codan Ejendomme II.

Agreements on reinsurance were entered into with companies in the Codan Group and with companies in the RSA Group on an arm's length basis. Included in this is the quota sharing programme with RSA Reinsurance Ireland Ltd.

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

The company has entered in to a DKK/SEK hedge of DKK 870.0 mio with the ultimate parent company Royal & Sun Alliance Insurance Plc and a DKK/SEK hedge of DKK 953.0 mio. with the ultimate parent company Royal & Sun Alliance Insurance Plc. The Hedges were agreed on a arm's length basis.

Notes to the financial statements

Note	DKK million	2015	2014
28 Related parties (cont.)			
Business transactions with Group entities and associates included the following:			
Premiums ceded to reinsurers		-295.0	-328.9
Claims paid, reinsurers' share		462.7	953.9
Sale of reinsurance to Group entities		184.0	199.6
Ceded reinsurance cover		-63.0	-69.0
Reinsurance commissions and profit participation		17.6	6.5
Commissions and profit participation for reinsurance		-4.6	-4.9
Interest expenses, deposits with ceding undertakings		-10.8	-19.9
Purchase of services from Group entities		-212.1	-132.6
Sale of administrative services to Group entities		203.0	252.7
		281.8	857.4
29 Security			
The following assets are held under trust for the benefit of policyholders to cover technical provisions:			
Investments in Group entities		-	446.8
Equity investments		2,202.0	1,140.0
Bonds		32,708.0	35,381.3
Other loans		-	1,002.7
Cash and cash equivalents		-	876.4
Interest receivable		400.0	466.4
Other		1,710.0	1,842.1
		37,020.0	41,155.7

Notes to the financial statements

Note	DKK million	2015	2014
30 Contingent assets, contingent liabilities and financial liabilities			
Financial liabilities			
VAT adjustment liability in connection with purchase of intangible assets		0.8	0.4
Operating lease commitments fall due within ten years and constitute:		690.5	713.5
Service agreements (IT and telephony)		182.9	351.3
Sponsorships		13.1	12.6
Guarantee in connection with the disposal of Group occupied property		1.5	15.6
Commitment to invest in units in open-ended funds		561.9	353.3
Financial liabilities		1,450.7	1,446.7

The company is cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to the company's own share of such risks, which is included in the annual report, the company is jointly and severally liable for the other insurers' share of the insurance liabilities. However, in view of the fact that these insurers are sound companies, the risk is largely minimal.

The company signed contracts with external companies for the purpose of selling insurance products.

The company is jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such

The company is jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or

Likewise, the company is jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year

The company entered into agreements with other companies in the Codan Group on the sale of insurance products, investment management, reinsurance, provision of administrative services, etc.

Notes to the financial statements

Note

31 Incentive schemes

RSA Insurance Group plc. operates a number of incentive schemes. Until and including 2005, RSA Insurance Group plc. had an Executive Share Option Plan and a Share Matching Plan for executives and other key employees. In 2006, these plans were replaced by a Long Term Incentive Plan. The plans are all subject to different performance conditions and are based on shares in RSA Insurance Group plc. As of 2014 the long term incentive plan is replaced by the Performance Share Plan (PSP). In addition, RSA Insurance Group plc. operates the Savings Related Share Option Plan providing all employees with the opportunity of buying shares in RSA Insurance Group plc. at a favourable price.

Executive Share Option Plan

The options are exercisable between three and ten years after grant, provided that specific performance conditions are met. The exercise price of all options is equal to the fair value of the underlying stock at the date of the grant.

The fair value of the options granted is based on all performance conditions being met.

Share Matching Plan

The options granted are exercisable between three and five years after grant at a price per share of nil. 25% of the options granted are not subject to performance conditions, while the remaining 75% can be exercised only if a number of performance conditions are met.

Long Term Incentive Plan

The structure of the plan allowed for a number of different types of awards to be made. Voluntary Deferred Shares are purchased by the participants from net bonus payable (limited to a maximum value of 33% of net bonus); in addition, for senior executives, the Remuneration Committee may defer a portion of an individual's bonus (limited to 33% of that bonus) into an award over shares referred to for the purpose of the plan as Compulsory Deferred Shares. Deferred shares are held in trust for three years and normally forfeited on an employee leaving the Group. No further performance conditions apply. The Remuneration Committee may make a conditional award of shares on a "matched" basis to Voluntary and Compulsory Deferred Shares ("Matching Shares").

Additionally, the Remuneration Committee may make conditional awards of Performance Shares to senior Executives, and conditional awards of Restricted Shares to other executives and senior managers.

Awards of Performance Shares and Matching Shares related to Compulsory Deferred Shares are subject to a performance condition consisting of a combination of a return on equity target and a total shareholder return target (with performance measured by comparison against other European insurance companies) over a single three year performance period. Matching Shares related to Voluntary Deferred Shares are subject only to the return on equity performance condition. Restricted Shares are not subject to performance conditions. All awards vest on the third anniversary of the date of the grant.

Performance Share Plan

The Structure of the plan allows for different types of awards to be made. All awards are settled in the form of ordinary shares. Part of the individual's bonus may be awarded in the form of Deferred Bonus Shares. Deferred Bonus Shares are generally retained if the employee leaves the Group unless the employee is dismissed for cause. The awards are not subject to performance conditions.

Furthermore Performance Shares and Restricted Shares may be granted, where the 2014 grant, was subjected to the following performance conditions: Development in Group underlying Return on Tangible equity, relative Total Shareholder Return and a Business Review Scorecard over a three year performance period. If an employee resigns from the Group, then Performance Shares and Restricted Shares lapse at the date of leaving the Group. The Remuneration Committee may however exert discretion as to the treatment of a leaver's share awards based on leaving circumstances.

Notes to the financial statements

Note	DKK million
------	-------------

31 Incentive schemes (continued)

Savings Related Share Option Plan

Employees eligible to participate in the RSA Insurance Group plc. International Sharesave Plan (savings related) can, through a savings contract, receive options to purchase ordinary shares of RSA Insurance Group plc.'s common stock at a price equal to 80% of the fair value of the ordinary shares at the date of the grant. The number of shares available for purchase from the plan by each participant is limited to the whole number of shares purchasable from the aggregate value of the individual's savings contract upon maturity. An individual's maximum monthly contribution to all current savings contracts is £250. All options expire in three or five years from the grant date and expire six months after vesting.

Board of Directors and Board of Management

There are no bonus schemes or incentive schemes for the Board of Directors. The Board of Management is covered by the general bonus scheme and by RSA's incentive schemes as set out

Participation of CEO Patrick Bergander in incentive schemes at 31 December:

DKK Mio.	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2014	137,581	1.0	181,232	1.4	-	-
Correction, beginning balances	8,870	4.9	-	6.0	-	-
Granted during the year	53,789	1.1	-	-	-	-
Adj. due to Rights Issue	18,215	0.7	22,217	0.9	-	-
Adj. due to Share consolidation	-131,733	-5.3	-162,759	-6.6	-	-
Outstanding at 31 December 2014	86,722	2.4	40,690	1.7	-	-
Correction, beginning balances	-	1.3	-	0.1	-	-
Granted during the year	33,177	1.5	-	-	-	-
Exercised during the year	-565	-0.0	-	-	-	-
Forfeited during the year	-5,390	-0.2	-2,242	-0.1	-	-
Outstanding at 31 December 2015	113,944	5.0	38,448	1.7	-	-

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2015.

Notes to the financial statements

Note	DKK million					
------	-------------	--	--	--	--	--

31 Incentive schemes (continued)

Participation of the CFO Stig Pastwa in incentive schemes at 31 December:

DKK Mio.	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 31 December 2014	-	-	-	-	-	-
Granted during the year	5,690	0.2	-	-	-	-
Outstanding at 31 December 2015	5,690	0.2	-	-	-	-

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2015.

Employees with material influence on the company's risk profile

DKK Mio.	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2014	1,945,364	14.3	1,902,422	14.4	128,540	1.4
Correction, beginning balances	48,149	66.4	-	62.6	-101,053	-0.3
Adj. due to change in risk takers	-84,884	-3.4	-30,512	-1.2	-7,701	-0.3
Granted during the year	233,505	5.6	-	-	-	-
Adj. due to Rights Issue	195,182	7.9	243,070	9.8	-	-
Adj. due to Share consolidation	-1,235,697	-50.0	-1,173,831	-47.5	-	-
Exercised during the year	-242,813	-9.8	-	-	-	-
Forfeited during the year	-321,047	-13.0	-647,691	-26.2	-	-
Outstanding at 31 December 2014	537,759	18.0	293,458	11.9	19,786	0.8
Correction, beginning balances	-4,841	5.4	-	1.0	7,961	0.4
Adj. due to change in risk takers	-268,609	-11.8	-155,681	-6.8	-12,280	-0.5
Granted during the year	146,115	6.4	-	-	496	0.0
Exercised during the year	-31,040	-1.4	-	-	-4,759	-0.2
Forfeited during the year	-30,322	-1.3	-70,420	-3.1	-	-
Outstanding at 31 December 2015	349,062	15.3	67,357	3.0	11,204	0.5

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2015.

Notes to the financial statements

Note

32 Ownership information

Ownership

Codan A/S, Gammel Kongevej 60, 1850 Frederiksberg C, owns all of the shares in Codan Forsikring.

Group relationship

RSA Insurance Group plc., 20 Fenchurch Street, London, England prepares consolidated financial statements, in which Codan Forsikring is included as a subsidiary.