



**QIC Holdings ApS**

CVR-no.: 33 95 47 43

**Annual Report  
for the period 1 January 2015 – 31 December 2015**

## Table of contents

|  |           |
|--|-----------|
| <b>Company Information</b> .....   | <b>3</b>  |
| <b>Management Review</b> .....   | <b>4</b>  |
| <b>Statement by the Management</b> .....   | <b>18</b> |
| <b>Independent Auditor's Report</b> .....  | <b>19</b> |
| <b>Financial Statements for the period 1 January 2015 - 31 December 2015</b> ..... | <b>21</b> |
| Income Statement for the period 1 January 2015 - 31 December 2015 .....            | 21        |
| Balance as at 31 December 2015.....  | 23        |
| Statement of changes in equity.....  | 25        |
| Notes.....   | 26        |

## Company Information

### **The Company**

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CVR No.: 33 95 47 43  
Reg. No.: 95024  
Established: 26 September 2011  
Registered office: Rudersdal  
Financial year: 1 January – 31 December

### **Board of Directors**

Stephen Michael Dobronyi  
Russell John English  
Brian Michael Clausen  
Douglas Edgar McIntyre (Resigned February 2016)  
Robert Gordon Victor Purves  
Serge Lavoie (Elected to the Board of Directors in February 2016)

### **Executive Management**

Preben Larsen

### **Auditor**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### **Bank**

Nordea

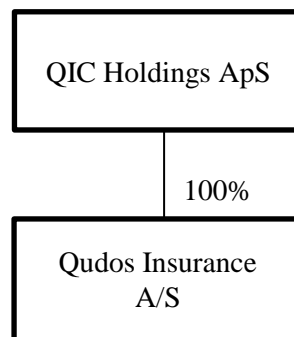
## Management Review

### Main activity

The Company's activity is to be parent company for one or more non-life insurance groups within the European Economic Area.

### Corporate Overview

As at 31 December 2015 the Group consists of the following companies:



### Ownership

QIC Holdings ApS is a 93% owned subsidiary, assuming full minority shareholders earn in, and a 97.5% owned subsidiary, assuming no minority shareholders earn in, of Echelon Financial Holdings Inc (EFH) in Canada. EFH also owns all of the preferred shares of QIC Holdings ApS.

### Profit for the year

The Group's result after tax for the year amounts to tDKK -23,791 of which the result of the subsidiary, Qudos Insurance A/S, represents tDKK -23,607.

The solvency ratio for QIC Holdings Group is calculated in accordance with the Financial Business Act, § 128, based on the base capital less the solvency requirement in Qudos Insurance A/S.

As Qudos Insurance A/S has a predominant impact on the Group's financial position, the following review is concentrated on this company.

**Capital position**

The share capital was increased in 2015 by MDKK 102.6, and the Equity amounted to MDKK 223.5 as per December 2015 after transfer of the net profit for the year.

QIC Holdings ApS' equity totaled MDKK 223.5 (MDKK 144.7) at 31 December 2015. According to the Danish Financial Supervisory Authority's guidelines, an individual solvency requirement of MDKK 167.3 was calculated at the end of 2015 and is measured based on the adequate base capital, which amounted to MDKK 223.3. QIC Holdings ApS' excess capital is MDKK 56.0 corresponding to 33%.

**Events after the balance sheet date**

In the opinion of Management, from the balance sheet date to the present date, no other matters of major significance have arisen that are likely to materially influence the assessment of the company's or the Group's financial position.

**Expectations for 2016**

We expect a reduction in the gross written premium as well as in the net earned premium as a result of a new reinsurance structure and introduction of coinsurance on a number of the motor agents.

The underwriting focus for 2016 continues to be on profitability.

Based on this, as well as the implemented underwriting actions we expect a positive underwriting result for 2016.

**Qudos Insurance A/S**

Qudos Insurance A/S' ("Qudos") business model is to write European direct non-life insurance as program business through insurance brokers and insurance agents within the property area, motor area and other niche and specialty insurance areas not covered by the traditional insurance companies.

Insurance brokers and insurance agents are responsible not only for sales and distribution of the insurance products, but also in some cases the claims handling. All activities are carried out in compliance with the guidelines of – and under the control of Qudos.

Qudos, which has been established with capital from Echelon Financial Holdings Inc., a leading, publicly traded Canadian insurance company with an issuer credit rating of bb+ from AM Best, has a strong financial base which makes it possible for Qudos to write many direct insurance products throughout Europe.

**Ownership**

Qudos Insurance A/S is a 100 % owned subsidiary of QIC Holdings ApS, which in turn is majority owned by Echelon Financial Holdings Inc. in Canada.

## Financial Highlights

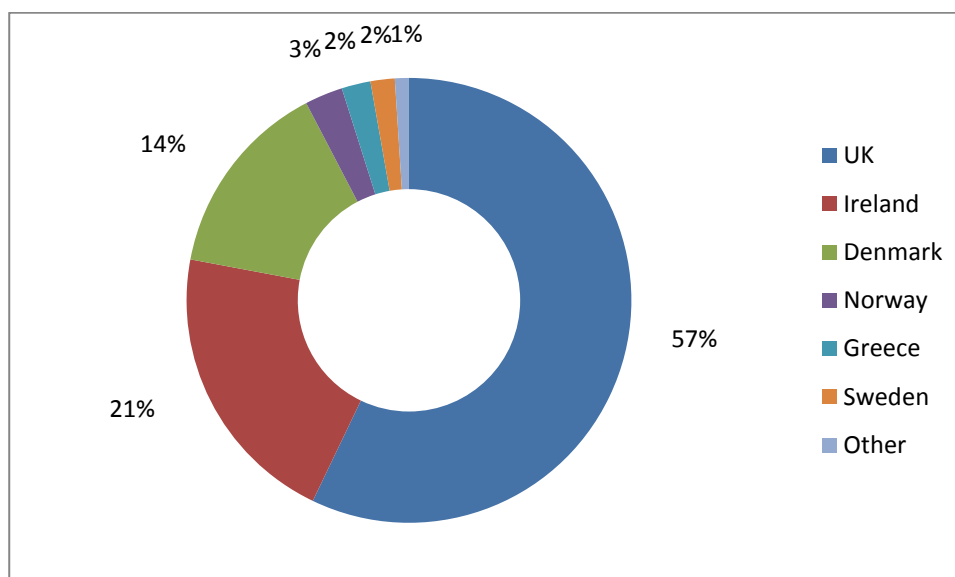
- Profit after tax for the year was MDKK -23.6 (MDKK 5.8)
- Return on Equity after tax was -12.8%
- Technical result amounted to a loss of MDKK 20.8 (MDKK -6.8)
- Combined ratio of 101.8 (100.9)
- Gross written premium increased from MDKK 903.1 to MDKK 1,548.4, corresponding to a growth of 71%
- Claims ratio of 64.8 (64.9)
- Reinsurance expense of MDKK -28.1 (MDKK -16.1), corresponding to a reinsurance ratio of 2.4 (2.1)
- The commission ratio increased from 30.5 to 31.7
- General expense ratio improved from 3.4 to 2.8
- Return on investments, after transfer to insurance, off MDKK -10.8 (MDKK 13.2)
- The excess capital (adequate base capital less solvency requirement) amounted to MDKK 36.9, corresponding to 22%

Qudos' result after tax decreased from a profit of MDKK 5.8 to a loss of MDKK 23.6.

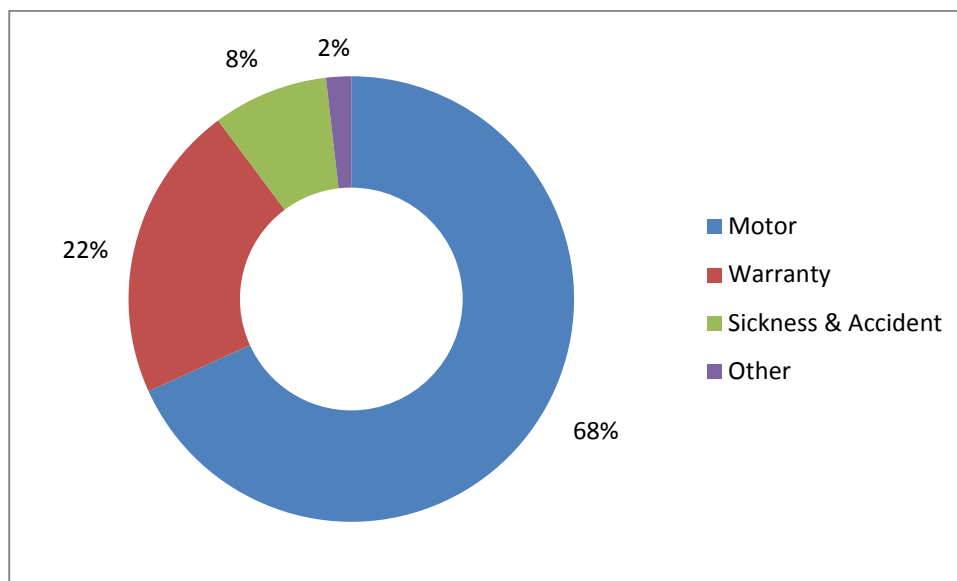
The result is proposed carried forward to next year.

The gross written premium increased from MDKK 903.1 to MDKK 1,548.4. The gross written premiums are coming from 59 Binders in U.K., Denmark, Ireland, Norway, Greece, France, Italy, Spain and Sweden.

## Breakdown by Geography



### Breakdown by segment



The UW result amounted to a loss of MDKK 20.8 compared with a loss of MDKK 6.8 in 2014. The UW result is not satisfactory with a combined ratio of 101.8 (100.9) primarily due to a gross claims trend of 64.8%.

The gross claims ratio was affected by a negative run-off from 2014 and previous year, strengthening of the provisions for claims liabilities, but also due to higher claims frequency than expected from the UK telematics learner driver program.

Negative prior year claims development of MDKK 8.9 net of reinsurance compared to MDKK 6.9 in the same period in 2014. The negative prior year claims development primarily relates to latent claims reported on the UK motor programs. After a full review of the UK motor programs, underwriting actions have been undertaken to limit the risk of this segment.

An increase in reinsurance and co-insurance has been implemented, in addition to specific underwriting actions on the programs that are not profitable.

We believe that these actions will result in a smaller motor segment, however, one that is profitable, less volatile and less capital intensive. Furthermore, the actions implemented will lead to a more balanced risk profile and greater diversification by both product and geography.

The Scandinavian and UK Warranty lines continue to produce strong results.



The return on investments amounted to MDKK -10.8 (MDKK 13.2). The returns on investments are affected by a negative development in the bond market and negative interest rates in DKK, EUR and SEK.

Tax on loss for the year totaled MDKK 6.5 (income) or 21.9% on loss before tax.

### **Capital position**

The share capital was increased in 2015 by MDKK 102.6, and the Equity amounted to MDKK 223.2 as per December 2015 after transfer of the net loss for the year.

## **Solvency**

Qudos is subject to Danish solvency rules ensuring that Qudos holds sufficient capital relative to the risks Qudos accepts. The most important rules which are reported to the Danish FSA are:

- Solvency I – the current European solvency rules
- Individual solvency requirement
- Traffic light rules

Qudos observed the current solvency rules end of 2015.

### **Solvency I**

The Company's regulatory capital requirement under Solvency I amounts to MDKK 131.5. The base capital amounts to MDKK 213.0. Qudos' excess capital is MDKK 81.5 corresponding to 62%.

### **Individual solvency requirement**

Qudos' equity totaled MDKK 223.2 (MDKK 144.3) at 31 December 2015. According to the Danish Financial Supervisory Authority's guidelines, an individual solvency requirement of MDKK 167.2 was calculated at the end of 2015 and is measured based on the adequate base capital, which amounted to MDKK 204.1. Qudos' excess capital is MDKK 36.9, corresponding to 22%.

### **Traffic light rules**

The traffic light calculations show the result on the company's basis capital and capital requirement as a consequence of changes in interest rates, currency rate, share prices, credit risk etc.

The company is in green light, meaning that the company still can comply with the solvency rules, if there is a defined change in the market conditions for its investments.

The excess capital as per 31 December 2015 amounts to MDKK 57.5.

### **Transition to Solvency II and new accounting rules as from 1 January 2016**

The new EU solvency rules have come into force on 1 January 2016. Qudos has since the beginning of 2014 worked on implementing the new framework. The new rules mean primarily an extension of the reporting requirements, risk management and governance. In accordance with the new rules Qudos has established an Actuarial Function, Risk Management Function, Compliance Function and an Internal Audit Function, including new routines for reporting.

The transition to Solvency II also results in changes of calculating the SCR (Solvency Capital Requirement) and the Adequate Capital Base. The transition means that when calculating the SCR a number of new elements has to be taken into account, such as Solvency II discounting curve, Expected future profits, Risk margin on insurance provisions and Deferred tax. Qudos expects, that the new elements alone will contribute to a lower SCR, and thus an improved excess solvency.

In addition, the Company's possibility of using intercompany reinsurance for risk relief lapses under the current reinsurance structure due to the new Solvency II rules. The Company's Management has taken appropriate actions to rectify this.

The Danish FSA has issued a new accounting regulation, which comes into force on 1 January 2016. The purpose of the new accounting regulation is to harmonize the principles applicable to the annual report including the calculation of SCR and the adequate Capital Base with the Solvency II rules. The transition to the new accounting rules is not expected to have any significant impact on the Company's equity.

**Risk Profile**

Qudos' policy is to hedge against risks arising from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations and implement its planned measures even in the case of highly unfavorable events in the outside world.

The Board of Directors determines the overall policies and guidelines.

**Review**

Qudos Insurance's risk management relates to the following main areas:

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

**Insurance risk**

The insurance risks assumed include the acceptance and follow-up of policies, claims handling, reserving risk and reinsurance risk. The company assesses insurance risk based on statistical risk analyses which we incorporate in our pricing. To limit the risk the company has established necessary and relevant procedures for all essential business processes and carries out follow-ups and control thereof. The size of the claims reserves, to cover future payment of losses that have occurred, is determined both through individual assessment of each claim and actuarial calculations.

An important part of the company's risk management is the use of reinsurance.

**Market risk**

Market risk represents the risk of losses due to changes in the market value of the Company's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, currency, inflation and liquidity risk.

Policies and guidelines for the financial risks are determined by Qudos' Board of Directors.

**Credit risk**

Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations. The company is exposed to credit risk in both its insurance and investment business. Within insurance the reinsurance companies' ability and will to pay is the most important risk factor. This risk is minimized by the purchase of reinsurance cover from reinsurance companies with a minimum rating of A- (S&P), or by the retention of deposits equal to the premium provisions and claims provisions.

To limit the risk in the investment business the investments are made in government bonds, mortgage bonds, corporate bonds and deposits with credit institutions with a minimum rating of A.

**Operational risk**

Operational risk is the risk of incurring a loss due to insufficient or faulty procedures, human or systematic errors. Operational risk includes the risk of breakdown in the IT systems.

In practice, this work is organized through a framework of policies, procedures and guidelines that cover the various aspects of the company's operations.

For all main areas there are established guidelines and procedures, which are frequently reviewed and changed, if necessary.

The procedures and internal controls in all essential and risky areas are regularly checked by the auditors in order to assess the risks, and recommend measures to limit each individual risk.

## **Employees**

The Boards of Directors and Executives and our core staff, totaling 19 people, have a deep insurance experience, and are actively empowered to share and utilize this knowledge to help our insurance brokers and our insurance agents and thus their insurance customers.

## **Remuneration structure**

Qudos' remuneration policy is intended to optimize long-term value creation at a group level. In accordance with Section 77(d) of the Danish Financial Business Act and Section 139 of the Danish Companies Act the Annual General Meeting has adopted "Remuneration policy".

Besides salary policy, the remuneration policy also includes pension policies. The remuneration policy covers Board of Directors, Executive Management and significant risk takers.

The remuneration of the Executive Management and significant risk takers is based upon a fixed basic salary and a pension contribution of 13.5% to 20% hereof and a variable salary element. Consequently, Qudos has no pension commitments towards the Executive Management and significant risk takers and no type of pension compensation on retirement is granted. The amount is paid to the chosen pension provider and consequently all pension obligations are fully covered by them.

The fixing of the fixed basic salary paid to the Executive Management and significant risk takers is based on a specific assessment of the employee. In its assessment Qudos includes, among other factors, their position, characteristics and performance.

The variable salary element is based on a combination of underwriting results, personal performance and contribution to the Company and the Group.

A variable salary is dealt with in accordance with the conditions of section 77 (a-e) of the Danish Financial Business Act.

## **Gender composition**

According to the Danish Financial Business Act the Board of Directors must establish targets for the share of the under-represented gender on the Board and draw up a policy on gender balance of the company's other management levels.

The Board's aim for the Board of Directors is, that in 2018 there will be a distribution, where the underrepresented gender accounts for 20% out of 5 members. It is, however, important, that the board positions continue to be filled on the basis of the qualifications needed in the company's Board of Directors.

### **Audit Committee**

The Board of Directors of Qudos Insurance A/S has set up an Audit Committee. The Committee consists of three members of the Board of Directors. The Board of Directors has elected Robert Thornedahl as Chairman of the Committee and as the independent member with appropriate qualifications in accounting and auditing.

The tasks of the Committee are set out in Audit Committee Charter which is based on the Executive Order on Audit Committees in Undertakings and Groups subject to supervision by the Danish Financial Supervisory Authority.

The tasks of the committee include monitoring of:

- the financial reporting process
- the internal control system and Risk Management System
- the statutory audit of the financial statement, and
- the auditor's independence

The Audit Committee holds at least four meetings in connection with the quarterly reporting to the Company's Board of Directors.

## **Management positions**

### ***Board of Directors***

Stephen Michael Dobronyi

- Echelon Financial Holdings Inc., Canada and 3 wholly owned subsidiaries (CEO)
- Qudos Insurance A/S, Denmark (Director)

Brian Michael Clausen

- KV129 Holding ApS, Denmark (Officer)
- Qudos Insurance A/S, Denmark (Director)
- K/S Vestsjælland, Denmark (Director)
- UCAP Asset Management Fondsmæglerselskab A/S, Denmark (Director)

Russell John English

- Qudos Insurance A/S, Denmark (Director)

Robert Gordon Victor Purves

- Echelon Financial Holdings Inc., Canada and 1 wholly owned subsidiary (Chairman)
- Qudos Insurance A/S, Denmark (Director)
- Purves Redmond Limited, Canada (Chairman)
- Purvest Inc., Canada (President)
- Bladder Cancer, Canada (Director)

Serge Lavoie

- Echelon Insurance (President and CEO and Director)

### ***Executive Management***

Preben Larsen

- Qudos Insurance A/S, Denmark (CEO)



## Group Financial Highlights

| DKK thousands  | 2015      | 2014      | 2013               | 2012               |
|--|-----------|-----------|--------------------|--------------------|
| Gross premium income   | 1,175,149 | 782,383   | 348,264            | 64,217             |
| Gross claims incurred  | -762,119  | -507,641  | -201,453           | -40,812            |
| Total insurance operating costs  | -405,455  | -265,930  | -120,689           | -39,092            |
| Result of ceded business   | -28,084   | -16,114   | -26,603            | -3,604             |
| Insurance technical result   | -21,028   | -7,039    | -297               | -19,218            |
| Result on investments after insurance technical interest   | -10,797   | 13,160    | 334                | 4,622              |
| Net profit for the year  | -23,791   | 5,633     | -71                | -10,948            |
| Run-off result, net of reinsurance   | -8,853    | -6,912    | -486               | 0                  |
| Total insurance technical provisions   | 1,199,454 | 607,071   | 293,474            | 104,360            |
| Total insurance assets   | 819,189   | 410,505   | 197,809            | 65,931             |
| Total equity   | 223,476   | 144,717   | 73,189             | 44,903             |
| Total assets   | 1,939,941 | 1,036,745 | 536,857            | 218,435            |
| <b>Key ratios:</b>   |           |           |                    |                    |
| Gross claims ratio   | 64.8%     | 64.9%     | 57.8%              | 63.6%              |
| Gross expense ratio  | 34.5%     | 34.0%     | 34.7%              | 60.9%              |
| Reinsurance ratio  | 2.4%      | 2.1%      | 7.7%               | 5.6%               |
| Combined ratio   | 101.8%    | 101.0%    | 100.2%             | 130.1%             |
| Operating ratio  | 101.8%    | 101.0%    | 100.1%             | 129.9%             |
| Relative run-off result  | -4.5%     | -16.8%    | -5.2%              | 0.0%               |
| Return on equity after tax   | -14.2%    | 5.3%      | -0.2%              | -17.4%             |
| Solvency ratio in Qudos Insurance A/S  | 1.62      | 1.75      | 0.91               | 1.60               |
| Solvency ratio in QIC Holdings ApS   | 1.62      | 1.75      | 0.91 <sup>x)</sup> | 1.60 <sup>x)</sup> |
| Gross claims ratio<br>(Gross claims incurred / Gross premium income)*100   |           |           |                    |                    |
| Gross expense ratio<br>(Total insurance operating costs / Gross premium income) * 100                              |           |           |                    |                    |
| Reinsurance ratio<br>(Result of ceded business / Gross premium income)   |           |           |                    |                    |
| Combined ratio<br>(Gross claims ratio + Expense ratio + Reinsurance ratio)   |           |           |                    |                    |
| Operating ratio<br>(Combined ratio where the allocated return on investments is added to the gross premium income) |           |           |                    |                    |
| Relative run-off results<br>(Run-off results compared to reserves as at the beginning of the run-off)              |           |           |                    |                    |
| Return on equity<br>(Result for the year / the average equity) *100  |           |           |                    |                    |
| Solvency ratio<br>(Basis capital / capital requirement)  |           |           |                    |                    |

x) Ratios are adjusted to 2014 as a result of changes in legislation.

## **Statement by the Management**

Today the Board of Directors and the Executive Management have considered and approved the Annual Report of QIC Holdings ApS for the period 1 January 2015 – 31 December 2015.

The Annual Report has been presented in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority Order on financial reporting requirements for insurance companies.

We consider the adopted accounting policies to be appropriate and in our opinion, the Annual Report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2015 and of the results of its operations for the financial year from 1 January 2015 – 31 December 2015.

We believe that the management review contains a fair review of the development of the Group's and Company's activities and financial position, together with a description of the principal risks and uncertainties that the Group and the Company can be affected by.

We recommend that the Annual Report be approved at the Annual General Meeting.

Holte, 2<sup>nd</sup> March, 2016

### **Executive Management**

Preben Larsen

### **Board of Directors**

Brian Michael Clausen

Russell John English

Serge Lavoie

Stephen Michael Dobronyi

Robert Gordon Victor Purves

# **Independent Auditor's Report**

To the Shareholders of QIC Holdings ApS

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of QIC Holdings ApS for the financial year ended 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including significant accounting policies. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Business Act.

## **Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company 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 whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Business Act.

Hellerup, 2<sup>nd</sup> March, 2016  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR-no: 33 77 12 31

Jesper Edelbo  
State Authorised Public Accountant

## Income Statement for 1 January 2015 – 31 December 2015

in DKK thousands

| Parent Company |      | Note |   | Group           |                 |
|----------------|------|------|---|-----------------|-----------------|
| 2014           | 2015 |      |   | 2015            | 2014            |
| -              | -    | 1-2  | Gross Premiums  | 1,548,356       | 903,145         |
| -              | -    |      | Insurance premiums ceded  | -1,105,634      | -561,671        |
| -              | -    |      | Change in premium reserves  | -373,207        | -120,762        |
| -              | -    |      | Change in reinsurers' share of premium provisions                 | 284,635         | 66,474          |
| -              | -    |      | <b>Premium income net of reinsurance, total</b>                   | <b>354,150</b>  | <b>287,186</b>  |
| -              | -    | 3    | <b>Insurance technical result</b>                                 | <b>-519</b>     | <b>263</b>      |
| -              | -    |      | Gross claims paid   | -461,571        | -320,061        |
| -              | -    |      | Reinsurance cover received  | 307,638         | 218,028         |
| -              | -    |      | Change in gross claims provisions                                 | -300,548        | -187,580        |
| -              | -    |      | Change in reinsurers' share of claims provisions                  | 206,433         | 126,219         |
| -              | -    | 4    | <b>Costs of claims net of reinsurance, total</b>                  | <b>-248,048</b> | <b>-163,394</b> |
| -              | -    |      | Acquisition costs   | -372,632        | -239,338        |
| -203           | -209 | 5-6  | Administrative expenses   | -32,823         | -26,592         |
| -              | -    |      | Reinsurance commissions and profit participations with reinsurers | 278,844         | 134,836         |
| -203           | -209 |      | <b>Insurance operating costs net of reinsurance, total</b>        | <b>-126,611</b> | <b>-131,094</b> |
| -203           | -209 |      | <b>INSURANCE TECHNICAL RESULT</b>                                 | <b>-21,028</b>  | <b>-7,039</b>   |

# Income Statement for 1 January 2015 – 31 December 2015

in DKK thousands

| Parent Company                           |                |      | Group          |               |
|--|----------------|------|----------------|---------------|
| 2014                                     | 2015           | Note | 2015           | 2014          |
| 5,788                                    | -23,607        |      | -              | -             |
| -  | -              |      | 16,368         | 14,031        |
| -  | -              | 7    | -21,218        | 4,491         |
| -2                                       | -1             |      | -4,258         | -3,105        |
| -  | -              |      | -2,208         | -1,994        |
| <b>5,786</b>                             | <b>-23,608</b> |      | <b>-11,316</b> | <b>13,423</b> |
| -  | -              | 3    | <b>519</b>     | <b>-263</b>   |
| <b>5,786</b>                             | <b>-23,608</b> |      | <b>-10,797</b> | <b>13,160</b> |
| -  | -              |      | 1,752          | 1,457         |
| -  | -              |      | -              | -100          |
| <b>5,583</b>                             | <b>-23,817</b> |      | <b>-30,073</b> | <b>7,478</b>  |
| 50                                       | 26             | 8    | 6,282          | -1,845        |
| <b>5,633</b>                             | <b>-23,791</b> |      | <b>-23,791</b> | <b>5,633</b>  |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                |      |                |               |
| 5,633                                    | -23,791        |      | -23,791        | 5,633         |
| -  | -              |      | -              | -             |
| <b>5,633</b>                             | <b>-23,791</b> |      | <b>-23,791</b> | <b>5,633</b>  |

## Balance Sheet as at 31 December 2015

in DKK thousands

### Assets

| Parent Company |                | Note |  | Group            |                  |
|----------------|----------------|------|--|------------------|------------------|
| 2014           | 2015           |      |  | 2015             | 2014             |
| -              | -              | 9    | Software   | 1,940            | 2,062            |
| -              | -              |      | <b>INTANGIBLE ASSETS, TOTAL</b>  | <b>1,940</b>     | <b>2,062</b>     |
| -              | -              | 9    | Office equipment, etc.   | 317              | 44               |
| -              | -              |      | <b>TANGIBLE ASSETS, TOTAL</b>  | <b>317</b>       | <b>44</b>        |
| 144,253        | 223,195        |      | Participating interest in affiliated companies                                 | -                | -                |
| -              | -              |      | Equities   | -                | -                |
| -              | -              |      | Bonds  | 549,007          | 395,815          |
| <b>144,253</b> | <b>223,195</b> |      | <b>Other financial investment assets, total</b>                                | <b>549,007</b>   | <b>395,815</b>   |
| <b>144,253</b> | <b>223,195</b> |      | <b>INVESTMENT ASSETS, TOTAL</b>  | <b>549,007</b>   | <b>395,815</b>   |
| -              | -              |      | Reinsurers' share of premium provisions  | 368,540          | 174,433          |
| -              | -              |      | Reinsurers' share of claims provisions   | 450,649          | 236,072          |
| -              | -              |      | <b>Reinsurers' share of provisions for insurance contracts, total</b>          | <b>819,189</b>   | <b>410,505</b>   |
| -              | -              |      | Amounts receivable from intermediaries   | 370,517          | 146,261          |
| -              | -              |      | <b>Amounts receivable in connection with direct insurance contracts, total</b> | <b>370,517</b>   | <b>146,261</b>   |
| -              | -              |      | <b>Amounts receivable from insurance companies</b>                             | <b>13,995</b>    | <b>-</b>         |
| 238            | 0              |      | <b>Amounts receivable from affiliated companies</b>                            | <b>87,492</b>    | <b>52,306</b>    |
| -              | -              |      | <b>Other amounts receivable</b>  | <b>309</b>       | <b>183</b>       |
| <b>238</b>     | <b>-</b>       |      | <b>AMOUNTS RECEIVABLE, TOTAL</b>   | <b>1,291,502</b> | <b>609,255</b>   |
| 167            | 193            | 10   | Deferred tax asset   | 7,987            | 1,705            |
| 84             | 250            |      | Cash and bank deposits   | 73,619           | 19,111           |
| <b>251</b>     | <b>443</b>     |      | <b>OTHER ASSETS, TOTAL</b>   | <b>81,606</b>    | <b>20,816</b>    |
| -              | -              |      | Accrued interest income  | 6,016            | 5,073            |
| -              | -              |      | Other prepayments  | 9,553            | 3,680            |
| -              | -              |      | <b>PREPAYMENTS AND ACCRUED INCOME, TOTAL</b>                                   | <b>15,569</b>    | <b>8,753</b>     |
| <b>144,742</b> | <b>223,638</b> |      | <b>TOTAL ASSETS</b>  | <b>1,939,941</b> | <b>1,036,745</b> |

## Liabilities and equity

| Parent Company |                |      | Group            |                  |
|----------------|----------------|------|------------------|------------------|
| 2014           | 2015           | Note | 2015             | 2014             |
| 150,100        | 252,651        |      | 252,651          | 150,100          |
| -5,383         | -29,175        |      | -29,175          | -5,383           |
| <u>144,717</u> | <u>223,476</u> | 11   | <u>223,476</u>   | <u>144,717</u>   |
|                |                |      |                  |                  |
| -              | -              |      | 533,440          | 252,964          |
| -              | -              |      | 666,014          | 354,107          |
| <u>-</u>       | <u>-</u>       |      | <u>1,199,454</u> | <u>607,071</u>   |
|                |                |      |                  |                  |
| <u>-</u>       | <u>-</u>       |      | <u>303,721</u>   | <u>214,462</u>   |
|                |                |      |                  |                  |
| -              | -              |      | 82,735           | 24,256           |
| -              | -              |      | 103,390          | 31,698           |
| -              | -              |      | -                | -                |
| -              | 66             |      | 190              | 59               |
| 25             | 96             |      | 18,818           | 11,953           |
| <u>25</u>      | <u>162</u>     |      | <u>205,133</u>   | <u>67,966</u>    |
|                |                |      |                  |                  |
| <u>-</u>       | <u>-</u>       |      | <u>8,158</u>     | <u>2,529</u>     |
| <u>144,742</u> | <u>223,638</u> |      | <u>1,939,941</u> | <u>1,036,745</u> |

- 12 Related parties etc.
- 13 Information on sensitivity
- 14 Securities
- 15 Contingent liabilities
- 16 Other note information
- 17 Accounting policies



## Statement of changes in equity in DKK thousands

| <b>2015</b>   | Share<br>capital | Profit<br>carried<br>forward | Total          |
|---|------------------|------------------------------|----------------|
| Shareholders' equity at<br>1 January 2015           | 150,100          | -5,383                       | 144,717        |
| Profit for the year                                 | -                | -23,791                      | -23,791        |
| Other comprehensive<br>income                       | -                | -                            | -              |
| Total comprehensive<br>income for the year          | -                | -23,791                      | -23,791        |
| Increase of share capital<br>in 2015                | 102,550          | -                            | 102,550        |
| Allocation to the owners                            | -                | -                            | -              |
| <b>Shareholders' equity at<br/>31 December 2015</b> | <b>252,650</b>   | <b>-29,175</b>               | <b>223,476</b> |
| <br>  |                  |                              |                |
| <b>2014</b>   | Share<br>capital | Profit<br>carried<br>forward | Total          |
| Shareholders' equity at<br>1 January 2014           | 84,208           | -11,019                      | 73,189         |
| Profit for the year                                 | -                | 5,633                        | 5,633          |
| Other comprehensive<br>income                       | -                | -                            | -              |
| Total comprehensive<br>income for the year          | -                | 5,633                        | 5,633          |
| Increase of share capital<br>in 2014                | 65,892           | -                            | 65,892         |
| Allocation to the owners                            | -                | -                            | -              |
| <b>Shareholders' equity at<br/>31 December 2014</b> | <b>150,100</b>   | <b>-5,383</b>                | <b>144,717</b> |

## Notes

### in DKK thousands

#### Note 1 – Insurance technical result (Classes of business)

| 2015                               | Motor<br>Hull  | Other<br>Direct | Health       | Latent<br>Defects | Various       | Total          |
|------------------------------------|----------------|-----------------|--------------|-------------------|---------------|----------------|
| Gross premiums                     | 1,006,000      | 197,474         | 77,949       | 71,850            | 195,083       | 1,548,356      |
| Gross premium income               | 697,719        | 189,759         | 78,739       | 55,581            | 153,351       | 1,175,149      |
| Gross claims incurred              | -570,650       | -49,602         | -38,108      | -25,191           | -78,568       | -762,119       |
| Gross operating expenses           | -208,190       | -114,530        | -37,576      | -18,475           | -26,684       | -405,455       |
| Net result reinsurance             | 8,679          | -16,578         | -1,013       | -7,733            | -11,439       | -28,084        |
| Technical interest for own account | -337           | -66             | -26          | -24               | -65           | -519           |
| <b>Technical result</b>            | <b>-72,779</b> | <b>8,983</b>    | <b>2,016</b> | <b>4,158</b>      | <b>36,595</b> | <b>-21,028</b> |
| Number of claims incurred          | 9,758          | 5,201           | 14,451       | 1,357             | 3,103         | 33,870         |
| Average value of claims incurred   | 25             | 2               | 2            | 7                 | 7             | 9              |
| Annual frequency of claims         | 5%             | 3%              | 20%          | 39%               | 6%            | 6%             |

| 2014                               | Motor<br>Hull  | Other<br>Direct | Liability    | Various      | Total         |
|------------------------------------|----------------|-----------------|--------------|--------------|---------------|
| Gross premiums                     | 484,214        | 168,870         | 83,591       | 166,470      | 903,145       |
| Gross premium income               | 437,981        | 142,167         | 53,701       | 148,534      | 782,383       |
| Gross claims incurred              | -361,792       | -48,799         | -18,772      | -78,278      | -507,641      |
| Gross operating expenses           | -105,543       | -74,593         | -23,459      | -62,335      | -265,930      |
| Net result reinsurance             | 6,867          | -10,810         | -6,341       | -5,830       | -16,114       |
| Technical interest for own account | 147            | 48              | 18           | 50           | 263           |
| <b>Technical result</b>            | <b>-22,340</b> | <b>8,013</b>    | <b>5,147</b> | <b>2,141</b> | <b>-7,039</b> |
| Number of claims incurred          | 8,035          | 3,835           | 2,955        | 14,944       | 29,769        |
| Average value of claims incurred   | 21             | 3               | 3            | 3            | 8             |
| Annual frequency of claims         | 6%             | 4%              | 2%           | 9%           | 6%            |

| Parent Company |           |   | Group            |                |
|----------------|-----------|---|------------------|----------------|
| 2014           | 2015      |   | 2015             | 2014           |
|                |           | <b>Note 2 - Gross premium income</b>  |                  |                |
| -              | -         | Gross Premiums  | 1,548,356        | 903,145        |
| -              | -         | Change in gross premium provisions  | -373,207         | -120,762       |
| <u>-</u>       | <u>-</u>  | <b>Gross premium income</b>   | <u>1,175,149</u> | <u>782,383</u> |
|                |           | Gross premium income direct business by location of the risk:                   |                  |                |
| -              | -         | Denmark   | 176,336          | 130,031        |
| -              | -         | Other EU countries  | 963,507          | 615,389        |
| -              | -         | Other countries   | 35,306           | 36,963         |
| <u>-</u>       | <u>-</u>  | <b>Direct insurance</b>   | <u>1,175,149</u> | <u>782,383</u> |
|                |           | <b>Note 3 - Insurance technical interest, net of reinsurance</b>                |                  |                |
| -              | -         | Calculated interest   | -519             | 263            |
| -              | -         | Discounting (annual amortisation) of technical provisions and reinsurers' share | -                | -              |
| <u>-</u>       | <u>-</u>  | <b>Insurance technical interest, net of reinsurance</b>                         | <u>-519</u>      | <u>263</u>     |
|                |           | <b>Note 4 – Run-off result</b>  |                  |                |
| -              | -         | Gross business  | -26,584          | -20,736        |
| -              | -         | Reinsurance ceded   | 17,731           | 13,824         |
| <u>-</u>       | <u>-</u>  | <b>Run-off result net of reinsurance</b>  | <u>-8,853</u>    | <u>-6,912</u>  |
|                |           | <b>Note 5 - Auditors' fee</b>   |                  |                |
|                |           | Fee for the auditors elected by the Annual General Meeting                      |                  |                |
|                |           | PricewaterhouseCoopers:   |                  |                |
| 10             | 25        | Fee for statutory audit of the annual accounts                                  | 332              | 739            |
| -              | -         | Fee for other assurance engagements   | 250              | 52             |
| -              | -         | Fee for other advisory services   | 101              | 399            |
| <u>10</u>      | <u>25</u> |   | <u>683</u>       | <u>1,190</u>   |

| Parent Company |      |   | Group         |               |
|----------------|------|---|---------------|---------------|
| 2014           | 2015 |   | 2015          | 2014          |
|                |      | <b>Note 6 - Staff Costs</b>                           |               |               |
|                |      | <i>Total staff costs can be specified as follows:</i> |               |               |
| -              | -    | Wages and salaries                                    | 13,596        | 8,870         |
| -              | -    | Pensions  | 1,063         | 995           |
| -              | -    | Other expenses to social security                     | 138           | 122           |
| -              | -    | Payroll tax   | 1,309         | 1,190         |
| -              | -    |   | <b>16,106</b> | <b>11,177</b> |
| -              | -    | Average number of employees                           | 17            | 14            |
| -              | -    | Board of Executives (2 persons)                       | 3,892         | 3,147         |
| -              | -    | Board of Directors (1 person)                         | 180           | 222           |
| -              | -    |   | <b>4,072</b>  | <b>3,369</b>  |

The Board of Executives of QIC Holdings ApS does not receive any fee for their work in relation to QIC Holdings ApS.

#### Significant risk takers

No other than the Board of Executives has a significant impact on the company's risk profile.

#### Incentive program

Brian Michael Clausen (BMC) and Russell John English (RJE) are directly or indirectly subject to an incentive program comprising title to shares in QIC Holdings ApS (QICH), which owns Qudos Insurance A/S 100%.

QICH's capital consists of 6,311 A-shares, 490 B-shares and 11,400 C-shares. A-shares and C-shares are owned by Echelon Financial Holdings Inc. while BMC and RJE each hold 50% of the B-shares, or 245 B-shares each.

B-shares will, as such, never receive dividend, but may - subject to combined time and performance criteria - be converted into A-shares or be compulsorily redeemed.

The Executive Management is part of Echelon Financial Holdings Inc., Canada's Restricted Stock Unit Program (RSU). The Executive Management has received 10,000 RSUs in 2015 under the terms of Echelon's RSU Program. The fair value of the RSUs granted amounts to tDKK 646 31 December 2015. The Compensation is borne entirely by Echelon Financial Holdings Inc.

| Parent Company |               |  | Group          |               |
|----------------|---------------|--|----------------|---------------|
| 2014           | 2015          |  | 2015           | 2014          |
|                |               | <b>Note 7 - Currency and marketable securities adjustments</b> |                |               |
| -              | -             | Unrealized marketable adjustments on bonds and equities        | -8,680         | 1,243         |
| -              | -             | Realized marketable adjustments on bonds                       | -3,203         | 3,543         |
| -              | -             | Currency adjustments   | -7,205         | -69           |
| -              | -             | Discounting  | -2,130         | -226          |
| <u>-</u>       | <u>-</u>      |  | <u>-21,218</u> | <u>4,491</u>  |
|                |               | <b>Note 8 - Tax on net results</b>                             |                |               |
|                |               | <i>Tax on taxable result of the year:</i>                      |                |               |
| 50             | 26            | Adjustment of deferred tax                                     | 6,282          | -1,845        |
| <u>50</u>      | <u>26</u>     |  | <u>6,282</u>   | <u>-1,845</u> |
|                |               | <i>Tax on net results can be specified as follows:</i>         |                |               |
| 50             | 49            | Calculated 23.5% tax on net profit before tax                  | 7,067          | -1,833        |
| -              | -23           | Adjustment as a consequence of future change in tax rate       | -785           | -12           |
| <u>50</u>      | <u>26</u>     |  | <u>6,282</u>   | <u>-1,845</u> |
| <u>24.5%</u>   | <u>-12.4%</u> | Effective tax rate   | <u>-21,0%</u>  | <u>24.7%</u>  |
|                |               | <b>Note 9 - Intangible assets</b>                              |                |               |
| -              | -             | Cost at 1 January  | 2,664          | 1,437         |
| -              | -             | Additions during the year                                      | 1,057          | 1,227         |
| <u>-</u>       | <u>-</u>      | Cost at 31 December  | <u>3,721</u>   | <u>2,664</u>  |
|                |               | Impairment and depreciation at 1 January                       | 602            | 233           |
| -              | -             | Depreciation for the year                                      | 1,179          | 369           |
| <u>-</u>       | <u>-</u>      | Impairment and depreciation at 31 December                     | <u>1,781</u>   | <u>602</u>    |
| <u>-</u>       | <u>-</u>      | <b>Net asset value at 31 December</b>                          | <u>1,940</u>   | <u>2,062</u>  |

| <b>Parent Company</b> |             |                                       | <b>Group</b> |             |
|-----------------------|-------------|---------------------------------------|--------------|-------------|
| <b>2014</b>           | <b>2015</b> |                                       | <b>2015</b>  | <b>2014</b> |
|                       |             | <b>Tangible assets</b>                |              |             |
| -                     | -           | Cost at 1 January                     | 90           | 90          |
| -                     | -           | Additions during the year             | 348          | -           |
| -                     | -           | Cost at 31 December                   | 438          | 90          |
|                       |             | Impairment and depreciation           |              |             |
| -                     | -           | at 1 January                          | 46           | 46          |
| -                     | -           | Depreciation for the year             | 75           | 0           |
| -                     | -           | Impairment and depreciation           |              |             |
| -                     | -           | at 31 December                        | 121          | 46          |
| -                     | -           | <b>Net asset value at 31 December</b> | <b>317</b>   | <b>44</b>   |
|                       |             | <b>Note 10 - Deferred tax</b>         |              |             |
| 5,633                 | -23,791     | Financial result                      | -23,791      | 5,633       |
| 50                    | 26          | Deferred tax                          | 6,282        | -1,845      |
|                       |             | Recognized as:                        |              |             |
| 50                    | 26          | Deferred tax assets                   | 6,282        | -1,845      |
| 50                    | 26          |                                       | 6,282        | -1,845      |
|                       |             | <b>Note 11 - Base capital</b>         |              |             |
| 144,717               | 223,195     | Equity at 31 December                 | 223,195      | 144,717     |
| -167                  | -193        | Deferred tax assets                   | -7,987       | -1,705      |
| -                     | -           | Discounting of reserves               | -434         | -1,910      |
| -                     | -           | Intangible assets                     | -1,940       | -1,909      |
| 144,550               | 223,002     | Base capital at 31 December           | 212,834      | 139,193     |
| -79,431               | -131,487    | Capital requirements in subsidiary    | -131,487     | -79,431     |
| 65,119                | 91,515      | Excess capital at 31 December         | 81,347       | 59,762      |

### Share capital

The company's share capital comprises tDKK 252,651 distributed on

6,311 A shares (Common A Stock)  
490 B shares (Common B Stock)  
11,400 C shares (Preferred Stock)

As per 31 December 2015 the QICH share capital comprises 6,311 A-, 490 B- and 11,400 C-shares. The A-shares are economic and voting, the B-shares only voting, and the C-shares non-voting preferred interest bearing and redeemable

shares. Prior to 01 January 2018 the B-shares will be converted to A-shares and/or redeemed, and the B-class will cease to exist upon elapse of 2017. For the duration of the existence of the B-class, each holder of B-shares has 10% of the voting rights in the company, regardless of the number of B-shares held.

Unpaid dividend on cumulative Preferred Stock as of December 31, 2015 amounts to MDKK 34.7. Unpaid dividend on cumulative Preferred Stock is carried forward to the future years and must be paid before any dividend is paid to common shareholders. Dividend on Preferred Stock is 10% p.a. of par value which in total amounted to MDKK 84.4.

### Note 12 - Related parties, etc.

Related parties to QIC Holdings ApS comprise the following:

#### Controlling interest

|   |                       |
|---|-----------------------|
| Echelon Financial Holdings Inc.<br>2680 Matheson Blvd. East<br>Suite 300<br>Mississauga, Ontario, L4W 0A5<br>Canada | Principal shareholder |
|---|-----------------------|

#### Ownership

In addition the following shareholders are registered in the register of shareholders as owners of at least 5% of the voting rights or at least 5% of the share capital:

|   |   |  |
|---|---|--|
| KV129 Holding ApS<br>88 Kenyon Street<br>London SW6 6LB | & | Russell John English<br>14 Sait Pasa Sokak, Girne, Mersin 10<br>99300 Turkey |
|---|---|--|

| Parent Company<br>2014                      | 2015 |                                       | Group<br>2015 | 2014   |
|---|------|---------------------------------------|---------------|--------|
| <b>Note 13 - Information on sensitivity</b> |      |                                       |               |        |
| <b>Effect on Equity</b>                     |      |                                       |               |        |
| <b>Event</b>                                |      |                                       |               |        |
| -   | -    | Increase in interest rate of 0.7-1.0% | -4,183        | -2,082 |
| -   | -    | Decrease in interest rate of 0.7-1.0% | 4,127         | 2,854  |
| -   | -    | Decrease in share prices by 12%       | -             | -      |
| -   | -    | Foreign currency risk (VaR 99.0%)     | -400          | -288   |

#### Note 14 - Securities

As security for technical provisions the following assets have been registered:

| Parent Company |      |                                   | Group     |         |
|----------------|------|-----------------------------------|-----------|---------|
| 2014           | 2015 |                                   | 2015      | 2014    |
| -              | -    | Bonds                             | 549,007   | 395,816 |
| -              | -    | Deposits with credit institutions | 71,260    | 11,296  |
| -              | -    | Accrued interest                  | 6,016     | 5,073   |
| -              | -    | Reinsurance contracts             | 489,817   | 165,592 |
| -              | -    |                                   | 1,116,100 | 577,777 |

#### Note 15 – Contingent liabilities

The Company and the subsidiary, Qudos Insurance A/S, are jointly liable for A-tax and payroll tax etc. and VAT and company tax chargeable to the jointly registered companies.

The Group has entered into leasing contracts with accumulated leasing payments of tDKK 300 over the next year.

The Group has entered into a tenancy agreement with accumulated rent payments of tDKK 508 over the next year.

#### Note 16 – Other note information

In accordance with § 91a in the Danish executive order on financial reports for insurance companies and lateral pension funds the five-year summary is the last page of Management review, see page no. 17. For further details see “Risk information” page nos. 12-13 in Management review.

#### Note 17 - Accounting Policies

The Annual Report has been prepared in accordance with the executive order on Financial Reports presented by Insurance Companies and Lateral Pension Funds issued by the Danish FSA.

The accounting policies are unchanged from last year.

#### *Accounting estimates and judgements*

In the preparation of the consolidated accounts for QIC Holdings ApS, estimates and judgements have been used which affect the size of assets and liabilities and consequently the results in this and subsequent years.

Such estimates and judgements are most material to the following sections of the accounts:



- Provisions for outstanding claims

### **Provisions for outstanding claims**

The provision risk is significant, in particular in lines with a long period of claims settlement.

Over the period of settlement the levels of compensation could be significantly affected by any changes in legislation, case-law of the practice in the award of damages.

### **Consolidated accounts**

The consolidated accounts include the parent company QIC Holdings ApS and Qudos Insurance A/S. The parent company is considered to control the companies through direct or indirect ownership of more than 50% of the voting rights or when it can have or has an otherwise controlling influence.

The profit and loss account and balance sheet are presented in accordance with the FSA's accounting order for insurance companies and lateral pension funds.

### **Consolidation**

The consolidated accounts have been prepared by aggregating items within the accounts of the parent company and the subsidiary on a line-by-line basis. The same accounting policies are applied by the subsidiary as by the parent company.

Intra-group income and expenses, shareholdings, balances and dividends as well as gains and losses on intra-group transactions have all been eliminated.

### ***General***

#### **Recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and where the asset has a value that can be measured reliably. Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation due to a previous event, when it is probable that future economic benefits will flow from the Company and where the value of the liability can be measured reliably. The recognition and measurement take into consideration predictable losses and risks which have occurred prior to the presentation of the Report and which provide evidence of conditions that existed at the balance sheet date.

Income is recognised in the profit and loss account when earned. Similarly, all expenses are recognised which relate to the financial year, including amortisation and impairment.

## **Insurance Contracts**

The Company writes contracts which transfer insurance risk.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensation if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be material in non-life insurance.

## **Currencies**

DKK is the Company's functional currency and the presentation currency of the Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debtors, creditors and other monetary items which have not been settled on 31 December are translated at the closing exchange rates on 31 December. Translation differences are disclosed in revaluations in the profit and loss account.

## **Expenses**

Expenses are recognised in the Company's profit and loss account and disclosed classified by function: Claims incurred (claims handling), acquisition and administrative expenses, investment return and other expenses. Expenses which do not directly relate to a function are allocated proportionally on the basis of the size of the direct expenses.

## ***Profit and loss account***

### **Premiums earned**

Gross premiums in non-life insurance comprise those premiums receivable during the year and an estimate of premiums on insurance contracts written, either directly or indirectly, for which the period of risk has commenced before the end of the financial year. Premiums earned net of reinsurance comprise gross premiums for the year adjusted for changes in the provisions for unearned premiums and net of reinsurance. Effectively, this means the premiums are being recognised in line with the distribution of risk over the period of cover.

### **Technical interest net of reinsurance in non-life insurance**

The technical result on non-life insurance includes a return on the technical provisions net of reinsurance.

### **Claims incurred**

In non-life insurance, claims incurred net of reinsurance comprise claims paid during the year adjusted for changes in the provisions for outstanding claims and net of the reinsurer's share. Accordingly, claims incurred comprise known and expected claims relating to the year as well as any adjustments to the provisions made in previous years. Furthermore, they comprise direct and indirect expenses on claims handling.

**Operating expenses**

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. New business commission is generally recorded in the profit and loss account on the date the insurance takes effect. Administrative expenses comprise other costs incurred in the administration of the portfolios which relate to the financial year and which have been accounted for on an accruals basis. Commission received from reinsurers has been accounted for on an accruals basis over the policies' period of cover.

**Investment activities**

Interest, dividends etc. comprise all interest, dividends etc. earned in the financial year. Realised and unrealised gains and losses on investment assets are included in revaluations, which also includes exchange rate adjustments. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

**Other income and expenses**

Other income and expenses include income and expenses which cannot be ascribed to the Company's Insurance portfolio or Investment assets.

**Taxation**

The tax charge for the year comprises the current corporation tax for the period and any changes in deferred tax. The share of the tax charge that relates to the profit for the year is included in the profit and loss account.

QIC Holdings ApS is jointly taxed with Qudos Insurance A/S. The tax effect of the joint taxation with Qudos Insurance A/S is allocated between the companies in proportion to their taxable incomes.

**Intangible assets**

Software is measured at cost less depreciation on a straight-line basis and net of any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life, as a principal rule 3 years, and the residual value, which is annually revalued. If there is an indication of impairment, the book value is written down to its recoverable amount.

**Tangible assets**

Office equipment is measured at cost less depreciation on a straight-line basis and net of any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life, as a principal rule 3 years, and the residual value, which is annually revalued. If there is an indication of impairment, the book value is written down to its recoverable amount.

## **Financial assets**

Financial assets at fair value with any value adjustment taken to the profit and loss account are financial assets which are either included in a trading portfolio, are derivatives or at the time of their first recognition are included in this classification because the assets are managed and measured on a fair value basis.

### ***Measurement of fair value***

The calculation at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed shares, bonds, derivatives etc., the measuring is generally based on the closing price at the Balance Sheet date. If there is no closing price, another public price is used which is believed to be the most appropriate. Valuation methods or other publicly available information are used to value listed securities where the closing price does not reflect the fair value.

Valuation methods are based, as far as possible, on publicly available market data. If there is no active market for the financial instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices or corresponding instruments.

### ***Debtors that are measured at amortised cost***

The initial recognition of debtors is made at fair value and subsequent recognitions are made at amortised cost.

## **Reinsurers' share**

Reinsurers' share of provisions for unearned premiums represents the proportion of reinsurance premiums paid which, net of commission received and based on the spread of risk during the period of cover, relate to the year after the end of the financial year.

Reinsurers' share of provisions for outstanding claims has been calculated as the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded.

## ***Liabilities***

### **Provisions for insurance contracts**

#### ***Provisions for unearned premiums***

These provisions represent the proportion of premiums collected which, based on the spread of risk during the period of cover, relates to the year after the end of the financial year. The provisions for unearned premiums cover future payments of claims not yet incurred in the remaining period of risk as well as administration costs of the insurance contracts written. Therefore they are calculated per line of business at the present value of these amounts, as a minimum. The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

### ***Provisions for outstanding claims***

Provisions for outstanding claims cover future payments of claims incurred and their administration.

Provisions for outstanding claims are assessed for each line of business either on a claim by claim basis (individual provisions) or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover individually assessed claims which have been reported but which have been inadequately provided for. The IBNR and IBNER provisions are calculated using in-house developed models.

Inflation is taken into account when calculating the value of the provisions. Future inflation is implicitly included in a number of the statistical models as the average of the actual inflation in the period of record used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

For most of our contracts it is agreed that the claims handling is carried out by our agents, and for this they are remunerated through their commission.

The provisions for outstanding claims include the amounts that are expected to be included to cover direct and indirect expenses on settlement of the liabilities.

The technical provisions are discounted on the basis of the estimated duration of the provisions and interest rates based on interest rate curves for the different currencies the provisions are denominated in.

The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

### ***Other insurance provisions for own account***

Other insurance provisions include accrued overrider.

### **Other liabilities**

#### ***Corporation tax and deferred tax***

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting and tax value of assets and liabilities is charged in accordance with the balance sheet liability method.

***Deposits received from reinsurers***

Deposits received from reinsurers represent amounts deposited to cover reinsurers' liabilities to the Company.

***Creditors***

Amounts due to credit institutions and other payables are measured at their amortised cost.

***Other matters***

Generally all the amounts in the report are disclosed in whole numbers of tDKK. The amounts have been rounded and consequently the sum of the rounded amounts and totals may differ slightly.