Qudos Insurance A/S

CVR No.: 33 95 69 67

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

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Company Information

The Company	Qudos Insurance A/S Kongevejen 371 DK-2840 Holte Telephone: +45 31 26 55 50 E-mail: info@qudosinsurance.dk Web: www.qudosinsurance.dk CVR No.: 33 95 69 67 Reg. No.: 53112 Established: 3 October 2011 Registered office: Rudersdal Financial year: 1 January – 31 December
Board of Directors	Stephen Michael Dobronyi (Chairman) Russell John English (Deputy Chairman) Douglas Edgar McIntyre (Resigned February 2016) Robert Gordon Victor Purves Robert Thornedahl Serge Lavoie (Elected to the Board of Directors in February 2016)
Executive Management	Brian Michael Clausen (CEO) Preben Larsen (CFO) (Appointed to the Executives in March 2015) Michel Trudeau (Chief Actuary) (Appointed to the Executives in September 2015)
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Bank	Nordea

Management Review

Background

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.

2015 Results

Financial Highlights

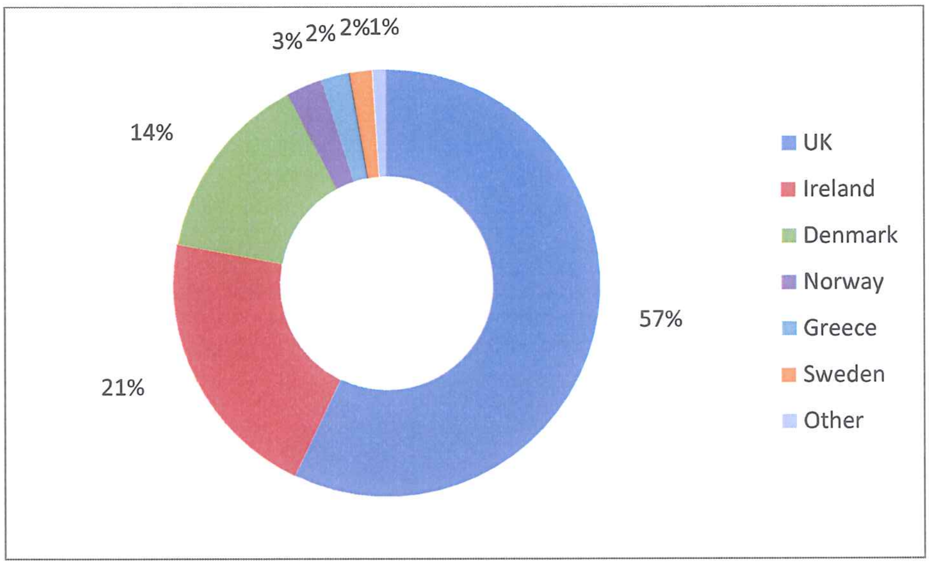
- Profit after tax for the year was MDKK -23.6 (MDKK 5.8)
- Return on Equity after tax was -12.8%
- Technical result amounted to a loss of MDKK 20.8 (MDKK -6.8)
- Combined ratio of 101.8 (100.9)
- Gross written premium increased from MDKK 903.1 to MDKK 1,548.4, corresponding to a growth of 71%
- Claims 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.

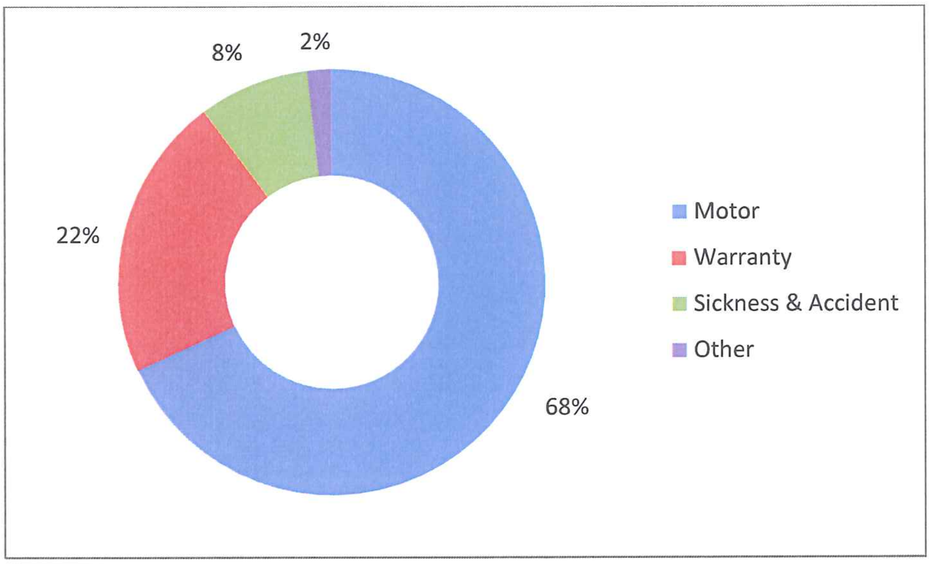
The result is proposed carried forward to next year.

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.

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 financial position.

Expectations for 2016

We expect a reduction in 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 the 2016.

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 Information

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.

Corporate Governance

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)
- QIC Holdings ApS, Denmark (Director)

Russell John English

- QIC Holdings ApS, Denmark (Director)

Robert Gordon Victor Purves

- Echelon Financial Holdings Inc., Canada and 1 wholly owned subsidiary (Chairman)
- QIC Holdings ApS, Denmark (Director)
- Purves Redmond Limited, Canada (Chairman)
- Purvest Inc. (President)
- Bladder Cancer, Canada (Director)

Robert Thornedahl

- Protector Forsikring ASA, Oslo, Norway (CFO)

Serge Lavoie

- Echelon Insurance (President and CEO and Director)

Executive Management

Brian Michael Clausen

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

Preben Larsen

- QIC Holdings ApS, Denmark (CEO)

Michel Trudeau

- Echelon Insurance (Appointed Actuary)
- The Insurance Company of Prince Edward Island (Appointed Actuary)
- Dion Durrell and Associates Inc. (Director)
- Echelon Financial Holdings Inc. (Executive Management)

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	-405,246	-265,727	-120,599	-38,727
Result of ceded business	-28,084	-16,114	-26,603	-3,604
Insurance technical result	-20,819	-6,836	-207	-18,853
Return on investments after insurance technical interest	-10,796	13,162	336	4,626
Net profit for the year	-23,607	5,789	2	-10,670
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	65,831
Total equity	223,195	144,253	73,540	45,181
Total assets	1,939,499	1,036,256	537,143	218,645
Key ratios:				
Gross claims ratio	64.8%	64.9%	57.8%	63.6%
Gross expense ratio	34.5%	33.9%	34.6%	60.3%
Reinsurance ratio	2.4%	2.1%	7.7%	5.6%
Combined ratio	101.8%	100.9%	100.1%	129.5%
Operating ratio	101.8%	100.9%	100.0%	129.3%
Relative run-off result	-4.5%	-16.8%	-5.2%	N/A
Return on equity after tax	-12.8%	5.3%	0.0%	-16.9%
Solvency ratio	1.62	1.75	0.91	1.60

Gross claims ratio
(Gross claims incurred / Gross premium income)*100

Gross expense ratio
(Total insurance operating costs / Gross premium income) * 100

Reinsurance ratio
(Result of ceded business / Gross premium income)

Combined ratio
(Gross claims ratio + Expense ratio + Reinsurance ratio)

Operating ratio
(Combined ratio, where the allocated return on investments is added to the gross premium income)

Relative run-off results
(Run-off results compared to reserves as at the beginning of the run-off)

Return on equity
(Result for the year / the average equity) *100

Solvency ratio
(Base capital / capital requirement)

Statement by the Management

Today the Board of Directors and the Executive Management have considered and approved the Annual Report of Qudos Insurance A/S for the period 1 January 2015 – 31 December 2015.

The Annual Report has been presented in accordance with the 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 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 assessment of the development of the Company's activities and financial position, together with a description of the principal risks and uncertainties that the Company can be affected by.

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

Holte, 2nd March, 2016

Executive Management

Brian Michael Clausen CEO	Preben Larsen CFO	Michel Trudeau Chief Actuary

Board of Directors

Stephen Michael Dobronyi (Chairman)	Russell John English (Deputy Chairman)	Serge Lavoie
Robert Gordon Victor Purves	Robert Thornedahl	

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Executive Management

Brian Michael Clausen
CEO

Preben Larsen
CFO

Michel Trudeau
Chief Actuary

Board of Directors

Stephen Michael Dobronyi
(Chairman)

Russell John English
(Deputy Chairman)

Serge Lavoie

Robert Gordon Victor Purves

Robert Thornedahl

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CEO

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(Chairman)

Russell John English
(Deputy Chairman)

Serge Lavoie

Robert Gordon Victor Purves

Robert Thornedahl

Independent Auditor's Report

To the Shareholders of Qudos Insurance A/S

We have audited the Financial Statements of Qudos Insurance A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. 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 Business Act, and for such internal control as Management determines is necessary to enable the preparation of 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 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 Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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.

The audit has not resulted in any qualification.

Opinion

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

Statement on Management's review

We have read Management's Review in accordance with the Danish Financial Business Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Hellerup, 2nd March, 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Jesper Edelbo
State Authorised Public Accountant

Income Statement for the period 1 January 2015 – 31 December 2015 in DKK thousands

Note		2015	2014
1-2	Gross Premiums	1,548,356	903,145
	Insurance premiums ceded	-1,105,634	-561,671
	Change in premium reserve	-373,207	-120,762
	Change in reinsurers' share of premium provisions	284,635	66,474
	Premium income net of reinsurance, total	**354,150**	**287,186**
3	**Insurance technical interest**	**-519**	**263**
	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	**Costs of claims net of reinsurance, total**	**-248,048**	**-163,394**
	Acquisition costs	-372,632	-239,338
5-6	Administrative expenses	-32,614	-26,389
	Reinsurance commissions and profit participations with reinsurers	278,844	134,836
	Insurance operating costs net of reinsurance, total	**-126,402**	**-130,891**
	INSURANCE TECHNICAL RESULTS	**-20,819**	**-6,836**

Income Statement for the period 1 January 2015 – 31 December 2015
in DKK thousands

Note		2015	2014
	Interest income and dividend etc.	16,368	14,031
7	Currency and marketable securities adjustments	-21,218	4,491
	Interest expenses	-4,257	-3,103
	Administrative expenses relating to investment activities	-2,208	-1,994
	Return on investments, total	**-11,315**	**13,425**
3	**Return on technical provisions**	**519**	**-263**
	RETURN ON INVESTMENTS AFTER INSURANCE TECHNICAL INTEREST	**-10,796**	**13,162**
	Other income	1,752	1,457
	Other expenses	-	-100
	NET PROFIT BEFORE TAX	**-29,863**	**7,683**
8	Tax	6,256	-1,894
	NET PROFIT FOR THE YEAR	**-23,607**	**5,789**
	STATEMENT OF COMPREHENSIVE INCOME		
	Net profit for the year	**-23,607**	**5,789**
	Other comprehensive income	-	-
	COMPREHENSIVE INCOME FOR THE YEAR	**-23,607**	**5,789**

Balance Sheet as at 31 December 2015

in DKK thousands

Assets

Note		2015	2014
9	Software	1,940	2,062
	INTANGIBLE ASSETS, TOTAL	**1,940**	**2,062**
9	Office equipment etc.	317	44
	TANGIBLE ASSETS, TOTAL	**317**	**44**
	Equities	-	-
	Bonds	549,007	395,815
	Other financial investment assets, total	**549,007**	**395,815**
	INVESTMENT ASSETS, TOTAL	**549,007**	**395,815**
	Reinsurers' share of premium provisions	368,540	174,433
	Reinsurers' share of claims provisions	450,649	236,072
	Reinsurers' share of provisions for insurance contracts, total	**819,189**	**410,505**
	Amounts receivable from intermediaries	370,517	146,261
	Amounts receivable in connection with direct insurance contracts, total	**370,517**	**146,261**
	Amounts receivable from insurance companies	**13,995**	**-**
	Amounts receivable from affiliated companies	**87,492**	**52,068**
	Other amounts receivable	**309**	**183**
	AMOUNTS RECEIVABLE, TOTAL	**1,291,502**	**609,017**
10	Deferred tax assets	7,794	1,538
	Cash and bank deposits	73,369	19,027
	OTHER ASSETS, TOTAL	**81,163**	**20,565**
	Accrued interest income	6,016	5,073
	Other prepayments	9,553	3,680
	PREPAYMENTS AND ACCRUED INCOME, TOTAL	**15,569**	**8,753**
	TOTAL ASSETS	**1,939,499**	**1,036,256**

Liabilities and Equity

Note		2015	2014
	Share Capital	251,682	149,132
	Retained profit or deficit	-28,487	-4,879
11	**EQUITY, TOTAL**	**223,195**	**144,253**
	Premium provisions, gross	533,440	252,964
	Claims provisions, gross	666,014	354,107
	TECHNICAL PROVISIONS, TOTAL	**1,199,454**	**607,071**
	REINSURANCE DEPOSITS	**303,721**	**214,462**
	Amounts payable in connection with direct insurance	82,735	24,256
	Amounts payable in connection with reinsurance	103,390	31,698
	Amounts payable to credit institutions	-	-
	Amounts payable to affiliated companies	124	59
	Other payables	18,722	11,928
	LIABILITIES OTHER THAN PROVISIONS, TOTAL	**204,971**	**67,941**
	ACCRUALS AND DEFERRED INCOME	**8,158**	**2,529**
	LIABILITIES AND EQUITY, TOTAL	**1,939,499**	**1,036,256**

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Statement of changes in equity
in DKK thousands

2015	Share Capital	Retained profit or deficit	Total
Shareholders' equity at 1 January 2015	149,132	-4,879	144,253
Profit for the year	-	-23,607	-23,607
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-23,607	-23,607
Increase of share capital in 2015	102,550	-	102,550
Allocation to the owners	-	-	-
Shareholders' equity at 31 December 2015	**251,682**	**-28,486**	**223,196**

2014	Share Capital	Retained profit or deficit	Total
Shareholders' equity at 1 January 2014	84,208	-10,668	73,540
Profit for the year	-	5,789	5,789
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	5,789	5,789
Increase of share capital in 2014	64,924	-	64,924
Allocation to the owners	-	-	-
Shareholders' equity at 31 December 2014	**149,132**	**-4,879**	**144,253**

Notes
in DKK thousands

Note 1 – Insurance technical result (Classes of business)

2015	**Motor Hull**	**Other Direct**	**Health**	**Latent 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	-207,981	-114,530	-37,576	-18,475	-26,684	-405,246
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
Technical result	**-72,570**	**8,983**	**2,016**	**4,158**	**36,595**	**-20,819**
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 Hull**	**Other 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	-62,132	-265,727
Net result reinsurance	6,867	-10,810	-6,341	-5,830	-16,114
Technical interest for own account	147	48	18	50	263
Technical result	**-22,340**	**8,013**	**5,147**	**2,344**	**-6,836**
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%

	2015	2014
Note 2 - Gross premium income		
Gross premiums	1,548,356	903,145
Change in gross premium provisions	-373,207	-120,762
Gross premium income	**1,175,149**	**782,383**
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
Direct insurance	**1,175,149**	**782,383**

Note 3 – Insurance technical interest, net of reinsurance		
Calculated interest	-519	263
Discounting (annual amortisation) of technical provisions and reinsurers' share	-	-
Insurance technical interest, net of reinsurance	**-519**	**263**

Note 4 - Run-off result		
Gross business	-26,584	-20,736
Reinsurance ceded	17,731	13,824
Run-off result net of reinsurance	**-8,853**	**-6,912**

Note 5 - Auditor's fee		
Fee for the auditors elected by the Annual General Meeting		
PricewaterhouseCoopers:		
Fee for statutory audit of the annual accounts	307	729
Fee for other assurance engagements	250	52
Fee for other advisory services	101	399
Total fee	**658**	**1,180**

Note 6 - Staff costs	**2015**	**2014**
Total staff costs can be specified as follows:		
Wages and salaries	13,596	8,870
Pensions	1,063	995
Other expenses to social security	138	122
Payroll tax	1,309	1,190
Staff costs total	**16,106**	**11,177**
Average number of employees	**17**	**14**

Board of Directors' Fee

The Board of Directors' fee for the accounting year amounts to tDKK		
Douglas Edgar McIntyre (resigned February 2016)	0	49
Russell John English	0	0
Stephen Michael Dobronyi	0	0
Alistair Angus Hugh Ross (resigned 17.11.2014)	0	51
Per Simon Voldsgaard (resigned 31.07.2014)	0	54
Robert Thornedahl (joined 14.08.2014)	180	68
Robert Gordon Victor Purves (joined 17.11.2014)	0	0
Total fee	**180**	**222**

Executive Managements fee	**2015**	**2014**
The Executive Managements fee for the accounting year amounts to tDKK		
Brian Michael Clausen (salary 2,649, pension 0)	2,649	2,387
Preben Larsen (salary 1,045, pension 198) (joined 01.04.2015)	1,243	0
Aage Lytt Jensen (resigned 30.06.2014)	0	760
Total fee	**3,892**	**3,147**

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.

No other than the Executive Management 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.

	2015	2014
Note 7 – Currency and marketable securities adjustments		
Unrealized marketable adjustments on bonds and equities	-8,680	1,243
Realized marketable adjustments on bonds and equities	-3,203	3,543
Currency adjustments	-7,205	-69
Discounting	-2,130	-226
	-21,218	**4,491**
Note 8 – Tax on net results		
Tax on taxable result of the year:		
Adjustment of deferred tax	6,256	-1,894
	6,256	**-1,894**
Tax on net results can be specified as follows:		
Calculated 23.5% tax on net profit before tax	7,017	-1,882
Adjustment as a consequence of future change in tax rate	-761	-12
	6,256	**1,894**
Effective tax rate	**-20,9%**	**24.7%**

	2015	2014
Note 9 – Intangible assets		
Cost at 1 January	2,664	1,437
Additions during the year	1,057	1,227
Cost at 31 December	3,721	2,664
Impairment and depreciation at 1 January	602	233
Depreciation for the year	1,179	369
Impairment and depreciation at 31 December	1,781	602
Net asset value at 31 December	**1,940**	**2,062**
Tangible asets		
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
Net asset value at 31 December	**317**	**44**
Note 10 – Deferred tax		
Financial result	-23,607	5,789
Deferred tax	6,256	-1,894
Recognized as:		
Deferred tax assets	7,794	1,538
	7,794	1,538

	2015	2014
Note 11 – Base capital		
Equity at 31 December	223,195	144,253
Deferred tax assets	-7,794	-1,538
Discounting of reserves	-434	-1,910
Intangible assets	-1,940	-1,909
Base capital at 31 December	**213,027**	**138,896**
Solvency requirement	131,487	79,431
Solvency ratio	1.62	1.75

Share capital

The company's share capital comprises tDKK 251,682 distributed on 25,000 shares with the same class.

Note 12 – Related parties, etc.

Related parties to Qudos Insurance A/S comprise the following:

Controlling interest

QIC Holdings ApS — Principal shareholder

Ownership

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.

QIC Holdings ApS
Kongevejen 371
DK-2840 Holte

The ultimate owner is:

Echelon Financial Holdings Inc.
2680 Matheson Blvd. East,
Suite 300
Mississauga, Ontario, L4W 0A5
Canada

The annual report for Qudos Insurance A/S is included in the consolidated accounts for QIC Holdings ApS, which in turn is included in the consolidated accounts for the ultimate owner, Echelon Financial Holdings Inc.

Qudos Insurance A/S has entered into a reinsurance agreement with a sister company. Settlement shall be carried out on market terms.

Qudos Insurance A/S has also entered into an agreement with the parent company about administrative services. Settlement is carried out on cost recovery basis.

Note 13 – Information on sensitivity

Effect on Equity in DKK '000

Event	**2015**	**2014**
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

	2015	**2014**
The company has registered the following assets as security for technical provisions:		
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 parent company, QIC Holdings ApS, are jointly liable for A-tax and payroll tax etc. and VAT and company tax chargeable to the jointly registered companies.

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

The Company 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. 16. For further details see "Risk information" page nos. 10-11 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 accounts for Qudos Insurance A/S, estimates and judgements have been used which affect the size of assets and liabilities and consequently the results in this and subsequent year.

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

- Provisions for outstanding claims

Provisions for outstanding claims
The provisions risk is significant, in particular for 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 or practice in the award of damages adopted.

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 compensate 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. 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 year 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 year 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.

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

Assets

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 bonds 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 period 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 period 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.