IV. FINANCIAL INFORMATION – CODAN DENMARK

1. CODAN DENMARK COMBINED CARVE-OUT FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2019, AND 2018

The Executive Management of Alm. Brand A/S have today considered and approved the Combined Carve-Out Financial Statements of Codan Denmark for the financial years 1 January to 31 December 2020, 2019, and 2018.

The Combined Carve-Out Financial Statements of Codan Denmark comprises the Combined Carve-Out Statements of Financial Position for the years ended 31 December 2020, 2019, and 2018, Combined Carve-Out Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the years then ended, and notes to the Combined Carve-Out Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements.

In our opinion, the Combined Carve-Out Financial Statements give a true and fair view of Codan Denmark's assets, liabilities and financial position at 31 December 2020, 2019 and 2018 and of the results of Codan Denmark's operations and cash flows for the financial years 1 January – 31 December 2020, 2019 and 2018 in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. Codan Denmark, which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Financial Statements in Note 1 to the Combined Carve-Out Financial Statements.

In addition, we confirm, that the Combined Carve-Out Financial Statements include the assets and liabilities and the result from the activities for the financial years 1 January - 31 December 2020, 2019, and 2018 covered by the Share Purchase Agreement with the Sellers.

Copenhagen, 8 November 2021

Executive Management

Rasmus Werner Nielsen

Chief Executive Officer

Independent auditor's report on audit of Combined Carve-Out Financial Statements

To the Executive Management of Alm. Brand A/S

Opinion

In our opinion, the accompanying Combined Carve-Out Financial Statements give a true and fair view of Codan Denmark's assets, liabilities and financial position at 31 December 2020, 2019 and 2018 and of the results of Codan Denmark's operations and cash flows for the financial years 1 January – 31 December 2020, 2019 and 2018 in accordance with the Accounting policies, including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. Codan Denmark, which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Financial Statements in Note 1 to the Combined Carve-Out Financial Statements.

Audited Combined Carve-Out Financial Statements

The Combined Carve-Out Financial Statements of Codan Denmark comprise the Combined Carve-Out Statements of Financial Position for the years ended 31 December 2020, 2019 and 2018, Combined Carve-Out Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the years then ended, and notes to the Combined Carve-Out Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Combined Carve-Out Financial Statements" section of our report.

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

Independence

We are independent of Codan Forsikring A/S in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Emphasis of Matter – Accounting policies

We draw attention to Note 1 to the Combined Carve-Out Financial Statements, which describes the Accounting policies including Basis of preparation and Basis of combination, including the approach to and purpose of preparing them. Consequently, Codan Denmark's Combined Carve-Out Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if Codan Denmark had operated as an independent entity, nor may they be indicative of the results of operations of Codan Denmark for any future period. The Combined Carve-Out Financial Statements are prepared specifically for the purpose of the Prospectus. As a result, the Combined Carve-Out Financial Statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Management's responsibility for the Combined Carve-Out Financial Statements

The Executive Management of Alm. Brand A/S (Management) is responsible for the preparation of the Combined Carve-Out Financial Statements in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. These Combined Carve-Out Financial Statements contain the financial information relating to Codan Denmark. Management's responsibility includes determining the acceptability of the Accounting policies including Basis of preparation and Basis of combination in the circumstances, and for such internal control as Management determines is necessary to enable the preparation of Combined Carve-Out Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Carve-Out Financial Statements, Management is responsible for assessing Codan Denmark's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Management either intends to liquidate Codan Denmark or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Combined Carve-Out Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Carve-Out Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Carve-Out Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the Combined Carve-Out Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Codan Denmark's internal control.

- evaluate the appropriateness of the Accounting policies including Basis of preparation and Basis of combination used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Combined Carve-Out Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Codan Denmark's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Carve-Out Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Codan Denmark to cease to continue as a going concern.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Codan Denmark to express an opinion on the Combined Carve-Out Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Copenhagen, 8 November 2021

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik Barner Christiansen State Authorised Public Accountant mne10778	Kim Moeslund Schmidt State Authorised Public Accountant mne34552

Combined Carve-Out Statement of Profit or Loss for the Years Ended 31 December 2020, 2019 and 2018

DKKm	Note	Year Ended 31 December 2020	2019	2018
General Insurance				
Gross premiums written		5,527	5,671	5,816
Ceded insurance premiums		-545	-533	-461
Change in premium provision		110	141	187
Change in profit margin and risk margin		-187	74	131
Change in reinsurer's share of premium provision		143	-49	-124
Premium income, net of reinsurance	4	**5,048**	**5,304**	**5,549**
Claims paid		-3,832	-4,232	-3,854
Reinsurance cover received		289	203	155
Change in claims provisions		112	-373	-595
Change in risk margin		17	-86	-21
Change in the reinsurers' share of claims provision		121	124	62
Claims, net of reinsurance	5	**-3,293**	**-4,364**	**-4,253**
Bonus and premium discounts		**-75**	**-85**	**-104**
Acquisition costs		-790	-807	-777
Administration expenses		-323	-337	-355
Acquisition costs and administration expenses		**-1,113**	**-1,144**	**-1,132**
Reinsurance commissions and profit participation		27	38	25
Insurance operating costs, net of reinsurance	6	**-1,086**	**-1,106**	**-1,107**
Technical result		**594**	**-251**	**85**
Investment activities				
Interest income and dividends	7	221	300	310
Value adjustments	8	-102	31	-137
Interest expenses	7	-6	-13	-21
Investment management expenses		-30	-26	-29
Total investment return		**83**	**292**	**123**
Return on insurance provisions		-120	-197	-31
Total investment return after insurance technical interest		**-37**	**95**	**92**
Other costs	9	-3	0	0
Profit/loss before tax		**554**	**-156**	**177**
Tax	10	-85	37	-18
Profit/loss for the year		**469**	**-119**	**159**

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

Combined Carve-Out Statement of Comprehensive Income for the Years Ended 31 December 2020, 2019 and 2018

DKKm	Note	Year Ended 31 December 2020	2019	2018
Profit for the year		**469**	**-119**	**159**
Other comprehensive income				
Unrealised gain/loss operational hedge, net		-2	1	2
Operational hedge related income tax		1	0	0
Other comprehensive income		-22	28	22
Other comprehensive income		**-23**	**29**	**24**
Total comprehensive income		**446**	**-90**	**183**

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

Combined Carve-Out Statement of Financial Position for the Years Ended 31 December 2020, 2019 and 2018

DKKm	Note	Year Ended 31 December 2020	2019	2018
Assets				
Intangible assets	11	**622**	**659**	**741**
Operating equipment		29	85	-
Owner-occupied property		44	100	-
Property, plant and equipment	12	**73**	**185**	**-**
Loans to related parties		**500**	**1,000**	**1,000**
Equity investments		267	264	232
Unit trust		616	519	619
Bonds		10,084	10,576	10,701
Other lending		304	117	3
Derivative financial instruments		1	10	2
Total other financial investment assets		**11,272**	**11,486**	**11,557**
Total investment assets	13	**11,772**	**12,486**	**12,557**
Reinsurers' share of premium provisions		114	-24	26
Reinsurers' share of claims provisions		611	503	375
Total reinsurers' share of provisions for insurance contracts		**725**	**479**	**401**
Receivables from policyholders		886	928	981
Receivables from brokers		7	8	8
Total receivables in connection with direct insurance contracts		**893**	**936**	**989**
Receivables from insurance enterprises		85	62	23
Receivables from related parties	24	2,229	2,325	1,979
Other receivables		128	59	103
Total receivables		**4,060**	**3,861**	**3,495**
Current tax assets	14	0	51	44
Cash at bank and in hand		486	314	146

DKKm	Note	Year Ended 31 December 2020	2019	2018
Total other assets		**486**	**365**	**190**
Interest and rent receivable		70	84	90
Other prepayments and accrued income		42	33	45
Total prepayments and accrued income		**112**	**117**	**135**
Total assets		**17,125**	**17,673**	**17,118**

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

DKKm	Note	Year Ended 31 December 2020	2019	2018
Net parent investment and liabilities				
Net parent investment		**3,451**	**3,714**	**3,375**
Premium provisions	15	767	889	1,018
Profit margin on general insurance contracts		513	325	398
Claims provisions	16	9,070	9,093	8,502
Risk margin on general insurance contracts		795	812	728
Provisions for bonuses and premium discounts		82	84	78
Total provisions for insurance contracts		**11,227**	**11,203**	**10,724**
Deferred tax liability	17	393	357	417
Other provisions	18	54	17	61
Total provisions		**447**	**374**	**478**
Deposits with ceding undertakings		**0**	**0**	**16**
Debt relating to direct insurance		148	227	142
Debt relating to reinsurance		18	31	42
Amounts owed to credit institutions	19	600	0	470
Debt to related parties	24	560	1,475	1,352
Lease liability		86	185	0
Current tax liabilities	14	24	0	0
Other debt		495	421	478
Other liabilities	20	**1,931**	**2,339**	**2,484**
Accruals and deferred income		**69**	**43**	**41**
Total net parent investment and liabilities		**17,125**	**17,673**	**17,118**

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

Combined Carve-Out Statement of Changes in Net parent investment for the Years Ended 31 December 2020, 2019 and 2018

DKKm	Total net parent investment
2020	
Net parent investment at the beginning of the year	**3,714**
Profit/loss for the year	468
Other comprehensive income	**-23**
Total comprehensive income	445
Net dividends/transfers to/from RSA*	-500
Branch capitalisation*	-208
Changes in net parent investment in 2020	**-263**
Net parent investment at the end of the year	**3,451**
2019	
Net parent investment at the beginning of the year	**3,375**
Profit/loss for the year	-119
Other comprehensive income	29
Total comprehensive income	-90
Net dividends/transfers to/from RSA*	142
Branch capitalisation*	287
Changes in net parent investment in 2019	**339**
Net parent investment at the end of the year	**3,714**
2018	
Net parent investment at the beginning of the year	**3,312**
Profit/loss for the year	159
Other comprehensive income	24
Total comprehensive income	183
Net dividends/transfers to/from RSA*	-406
Branch capitalisation*	286
Changes in net parent investment in 2018	**63**
Net parent investment at the end of the year	**3,375**

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark in amount of DKK -246 million, will be made if and when the demerger is approved and registered by the authorities. These capital adjustments are not recognized in the Combined Carve-Out Financial Statements. The capital adjustments are included in the pro forma balance sheet as at 31 December 2020 as presented in this Prospectus Part I, section 13.8 – "Unaudited Pro Forma Financial Information" – "Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020".

* Net dividends/transfers to/from RSA and Branch capitalisation are explained in Note 1 Accounting policies under the section Net Parent Investment

Combined Carve-Out Cash Flow Statement for the Years ended 31 December 2020, 2019 and 2018

DKKm	Note	Year Ended 31 December 2020	2019	2018
Cash from operating activities				
Premiums		5,451	5,592	5,760
Changes in insurance debtors		43	53	11
Claims paid		-3,832	-4,232	-3,854
Change in insurance payables		-79	85	101
Ceded business		-256	-330	-306
Change in reinsurance receivables/payables		-37	-49	-14
Costs		-1,115	-1,132	-1,136
Depreciation and amortisation		165	182	121
Change in other debt and other amounts receivable		22	0	-134
Cash flows from / used in insurance activities		**362**	**169**	**549**
Interest received		235	306	301
Interest paid		-6	-13	-21
Income taxes paid		-1	-20	-15
Cash flows from operating activities		**590**	**442**	**814**
Investment				
Purchase of equity investments and unit trust		-258	-131	-456
Sale of equity investments and unit trust		96	234	326
Purchase of bonds		-3,074	-3,694	-3,259
Sale of bonds		3,243	3,927	3,365
Purchase of Other loans and other investment assets		-201	-2,325	0
Sale of Other loans and other investment assets		279	2,080	0
Acquisition of intangible assets		-22	-38	-76
Cash flows from / (used in) investments		**63**	**53**	**-100**
Financing				
Net dividends/transfers to/from RSA*	1	-500	142	-400
Branch capitalisation*	1	-208	287	286
Change in amounts owed to/from related parties		-819	-224	-1,120
Lease payments		-54	-62	0
Repayment of loans by related parties	23	500	0	0
Proceeds from credit institutions	19	705	1,664	3,551
Repayments to credit institutions	19	-105	-2,134	-3,331
Cash flows from / (used in) financing		**-481**	**-327**	**-1,014**
Change in cash and cash equivalents		172	168	-300
Cash and cash equivalents 1 January		314	146	446
Cash and cash equivalent 31 December		486	314	146

* Net dividens/transfers to/from RSA and Branch capitalisation are explained in Note 1 Accounting policies under the section Net Parent Investment

Notes to the financial statements

1. Accounting policies

Background to the Combined Carve-Out Financial Statements

On 18 November 2020, Tryg A/S ("Tryg") announced that it had agreed to the terms of a proposed transaction with Intact Financial Corporation ("Intact") and RSA Insurance Group plc ("RSA") pursuant to which the intention is for:

- Intact, through a wholly owned subsidiary, to acquire the entire issued and to be issued share capital of RSA through a recommended takeover of RSA under the UK Takeover Code;
- The subsidiaries of RSA that operate in Denmark, Norway and Sweden ("RSA Scandinavia") to be separated from the RSA (the "Scandinavia Carve-Out") upon completion of the acquisition.
- The acquisition and the Scandinavian Carve-Out was completed on 1 June, 2021;
- Following the completion and the Scandinavia Carve-Out, a demerger (the "Demerger"), is to take place to deliver Trygg-Hansa and Codan Norway to Tryg, and the Danish business to a newly established Danish wholly-owned limited liability subsidiary, Chopin Forsikring A/S ("Chopin Forsikring), of Scandi JV Co with the Danish business of RSA Scandinavia (being Codan Denmark – as defined in the following paragraph) being co-owned by Intact and Tryg on a 50/50 economic basis with Codan Denmark remaining completely separate and independent of Tryg.

On 11 June 2021, Alm. Brand A/S announced that it had agreed to the terms of a proposed transaction with Intact and Tryg pursuant to which the intention is for:

- The Company to acquire the entire issued shares in Chopin Forsikring which will be the legal entity holding of Codan Denmark post the Demerger expected finalized in Q1 2022.

Elements of the Combined Carve-Out Financial Statements

Codan Denmark, which is carved-out of Codan Forsikring A/S and combined, consists of:

- all assets and liabilities of the Danish branch and the US Branch of Codan Forsikring A/S, except for the investments in the Trygg-Hansa branch, in Holmia Livförsäkring AB, in the Codan Norway branch, in CAB Group AB and derivative financial instruments used for hedging the net investment in Trygg-Hansa,
- Forsikringsselskabet Privatsikring A/S, the Danish incorporated entity wholly owned by Codan Forsikring A/S,
- all assets and liabilities on the general ledger of the Swedish Marine business of Codan Forsikring A/S; and

- specific tangible and intangible IT assets transferred in 2020 from the Swedish and Norwegian business of Codan Forsikring A/S agreed upon in the Separation Agreement. This includes both owned and leased assets capitalized under IFRS16.

Basis of preparation

Codan Denmark has not previously constituted a separate legal entity or group and hence historical financial statements have not previously been presented for the combined carve-out operations. Accordingly, the 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, which have been prepared specifically for the purpose of meeting the requirements of the EU Prospectus Regulation, are prepared on a basis that combines the assets and liabilities, the results of operations, and cash flows of Codan Denmark by applying principles underlying the consolidation procedures under IFRS 10 (Consolidated Financial Statements).

The Combined Carve-Out Financial Statements do not constitute a set of general-purpose financial statements under IAS 1, because Codan Denmark does not constitute a legal entity or group as defined by IFRS 10 which as a general principle requires a parent entity to prepare consolidated financial statements under the concept of 'control'. Thus, the Combined Carve-Out Financial Statements do not include an unreserved statement of compliance with IFRS and are not considered first time IFRS financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Codan Denmark Combined Carve-Out Financial Statements have been prepared for illustrative purposes only and address a hypothetical situation; they therefore do not necessarily reflect the actual financial position, results of operations or cash flows of Codan Denmark that would have been realised had Codan Denmark been a separate entity during the periods under review nor the future results of Codan Denmark as it will exist upon completion of the Demerger.

The acquisition of Codan Denmark will be made through acquisition of the legal entity Chopin Forsikring, that holds the necessary license by the Danish FSA for conducting insurance business, to which the operations of Codan Denmark will be injected through the Demerger of Codan Forsikring.

The combined carve-out financial information for Codan Denmark has been extracted from the consolidated financial statements of RSA for 2020, 2019 and 2018, respectively. The financial statements of RSA are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and as applied in accordance with the provisions of the UK Companies Act 2006.

The combined carve-out financial statements of Codan Denmark for 2020, 2019 and 2018, have been prepared in accordance with IFRS as adopted by EU and the Danish Executive Order on adoption of IFRS, except for:

- IFRS 10 (Consolidated Financial Statements) — IFRS 10 establishes a general principle that parent entities should present consolidated financial statements when it controls one or more entities. Codan Denmark has not previously constituted a legal group and consequently, Codan Denmark is not permitted by IFRS 10 to present consolidated financial statements. The combined carve-out financial statements have though been prepared by applying the underlying principles of IFRS 10 for consolidation procedures. Furthermore, a consequence of segregation of legal entities included in the combined group disclosures on equity and profit or loss of subsidiaries have not been provided as required by IFRS 12 (Disclosure of Interests in Other Entities).

- IAS 10 (Events After the Reporting Period) — Post balance sheet events have only been incorporated in these combined carve-out financial statements up to the date of signature of the RSA Insurance Group plc consolidated financial statements for 2020, 2019 and 2018 respectively, since the combined carve-out financial statements have been prepared under the extraction approach. Thus, estimates have not been updated subsequent to the date of the original signing of the 2020, 2019 and 2018 consolidated financial statements of the RSA Group.

Furthermore, the following disclosure requirement in the IFRS standards have not been complied with in all aspects as the information is not readily available for Codan Denmark:

- Goodwill impairment assessments and the disclosures are derived from the consolidated financial statements of the RSA Group. Therefore, certain quantification of parameters and historical data of Codan Denmark as the basis for the projection of future cashflows has not been disclosed as required by IAS 36, Impairment of Assets, paragraph 134(d)(ii).

- As Codan Denmark does not constitute a legal group it does not manage risk and capital on a stand-alone basis and does not have specific solvency requirements that are generally applicable to groups or legal entities. Thus, disclosures of risk and capital management are presented in note 2 to the extent such information is available but not all disclosures of risk and capital management required by IAS 1, IFRS 4 and IFRS 7 can be provided for Codan Denmark on a stand-alone basis.

- Information on related party transactions required by IAS 24, Related Party Disclosures, have been considered based on legal entities within RSA Scandinavia rather than the branches and business areas on which the combined carve-out financial statement for Codan Denmark is derived. Related party transactions of those legal entities along with remuneration of key management personnel are disclosed but no artificial split between perimeters is made.

- Derivative contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark if they are direct attributable to Codan Denmark, but the underlying systems do not support the disclosure requirements on the segregated basis, thus the combined carve-out financial statements do not include all disclosures on derivatives required by IFRS 7, Financial Instruments: Disclosures. Similarly, disclose of valuation techniques used in measuring level 2 and level 3 fair values and the significant unobservable inputs used has not been provided in the combined carve-out financial statement for Codan Denmark.

- As long-term incentive plans offered to employees of Codan Denmark are not linked explicit to equity instruments of Codan Denmark but to equity instruments of the RSA Group the combined carve-out financial statements do not include disclosures on long-term incentive plans as required by IFRS 2, Share-based Payment.

- Disclosures of audit fees and average number of employees required by the Danish Statutory Order on adoption of IFRS have not been provided in the combined carve-out financial statements as this information is not readily available to Codan Denmark.

- As the combined carve-out financial statements represent segregation of legal entities within RSA Scandinavia the split of equity reserves into reserve line items has not and cannot be performed on a relevant and reliable basis.

As required by the EU Prospectus Regulation, the Codan Denmark Combined Carve-Out Financial Statements have been adjusted to apply accounting policies that are consistent with those applied by the Alm. Brand Group, and certain adjustments have therefore been made as follows:

- Financial assets classified as available for sale (AFS) in the financial statements of RSA are measured at fair value through other comprehensive income. The Codan Denmark Combined Carve-Out Financial Statements measure these financial assets at fair value through profit and loss.

- Claims and premium provisions have been adjusted to reflect estimates as required by Danish regulation, which is in accordance with the principles of Solvency II. Discounting is based upon the yield curve published by EIOPA. For all periods under review matching and volatility adjustments have been made.

- Deferred acquisition costs, which are capitalised in the financial statements of RSA, have been expensed in the Codan Denmark Combined Carve-Out Financial Statements

- Written premium is recognised by RSA in the period in which the policy is legally bound. The Codan Denmark Combined Carve-Out Financial Statements recognise written premium at the earlier of the premium due date, the premium received date or inception of coverage. This has no impact on the results of Codan Denmark as the additional written premium recognised by the RSA Group is on unincepted business and therefore unearned.

- For financial instruments trade date is used as the date of recognition in the financial statements of RSA whereas settlement date has been used in the Codan Denmark Combined Carve-Out Financial Statements.

- Deferred tax is not recognised on the contingency fund provision in the financial statements of RSA. Deferred tax on the contingency fund has been recognised in the Combined Carve-out Financial Statements by applying the applicable tax rate to the provision.

- The presentation of the Codan Denmark Combined Carve-Out Financial Statements is in accordance with the executive order number 1442 of 3 December 2018 on Financial Reports for Insurance Companies and Lateral Pension Funds issued by the Danish FSA, which differs to the financial statement presentation of the RSA Group. Both choices of presentation are within the framework of IFRS as adopted by the EU.

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark will be made if and when the Demerger is approved and registered by the Authorities. These capital adjustments are not recognised in the combined carve-out financial statements. The capital adjustments are included in the pro forma balance sheet as at 31 December 2020 as presented in this Prospectus Part I, section 13.8 – “Unaudited Pro Forma Financial Information” – “Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020**”.**

Basis of combination

The following accounting and other principles have also been applied in the preparation of the Codan Denmark Combined Carve-Out Financial Statements:

- Intercompany transactions within Codan Denmark have been eliminated from the Codan Denmark Audited Combined Carve-Out Financial Statements. Transactions with other RSA Group entities previously considered as intercompany transactions by RSA have been treated as transactions with related parties for purposes of the Codan Denmark Combined Carve-Out Financial Statements.

- Direct and overhead costs are centrally managed by the Danish branch of Codan Forsikring and include services such as finance and accounting, information technology and human resources. Centrally provided services have historically been recharged from the Danish branch of Codan Forsikring to individual branches and legal entities within RSA Scandinavia. These historically recharges are included in the Codan Denmark Combined Carve-Out Financial Statements. These cost allocations were affected by arrangements that existed in RSA Group and therefore do not necessarily reflect the representative position of Codan Denmark had it been a separate entity during the periods under review nor the position that will prevail upon completion of the Transaction.

- Codan Denmark have neither in the past constituted a separate legal group nor presented any stand-alone consolidated financial statements. Therefore it is not meaningful to present share capital or an analysis of reserves. Net parent investment of Codan Denmark is made up of combined carve-out assets less combined carve-out liabilities that have been identified as belonging to the operations and entities being combined (net parent investment). As the combined carve-out operations and entities do not constitute one legal entity or group, net parent investment is theoretical and cannot be reconciled to information of identifiable legal entities.

- Trygg-Hansa and Codan Norway are branches of Codan Forsikring and are not included in the Combined Carve-Out Financial Statements and has been carved out without any compensation to Codan Denmark. The resulting adjustment has been recognised in net parent investment on 1 January 2018 in the Codan Denmark Combined Carve-Out Financial Statements.

- Codan Denmark participates in the share-based incentive plans established by RSA with members of the board of management and material risk takers eligible for such schemes. The Codan Denmark Combined Carve-Out Financial Statements include employee cost allocations related to these participations as part of allocation of centrally managed costs as described above. These cost allocations may not be indicative of future expenses that will be incurred through incentive schemes for key personnel upon completion of the Transaction.

- Intercompany balances and loans between Codan Denmark and other entities within the RSA Group are presented as receivables from related parties and debt to related parties.

- Derivatives contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark in the Codan Denmark Combined Carve-Out Financial Statements if they are directly attributable to Codan Denmark. Derivatives financial instruments allocated to The Codan Denmark Combined Carve-Out Financial Statements comprise foreign exchange contracts and repurchase contracts.

- The Income tax charge included in the Codan Denmark Combined Carve-Out Financial Statements reflects the aggregate of the income tax charges actually incurred by Codan Denmark during the periods under review. The tax positions include the benefit, reliefs and charges which arose as being part of the RSA Group are therefore not necessarily representative of what the tax position will be under separate ownership. Tax calculated on adjustments applied in the preparation of the Codan Denmark Combined Carve-Out Financial Statements is based on the Danish tax rate for the periods under review (22%).

The functional currency of each branch within Codan Denmark is translated into DKK, unless otherwise specified.

Material changes in accounting policies since 1 January 2018

IFRS 16 'Leases'

IFRS 16 'Leases' has been adopted from the effective date of 1 January 2019 applying the modified retrospective approach. Under this method, the cumulative effect of initially applying the standard is recognised on 1 January 2019. Right-of-use assets and lease liabilities have been recognised for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets have been recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The comparative information has not been restated. All leases have been classified as operating leases 31 December 2018. The implementation of IFRS 16 has no significant impact on either profit or loss or net parent investment.

The total impact on the balance sheet 1 January 2019, using the modified retrospective approach, was:

(DKKm)	
Assets	
Equipment (ROU)	109
Land & Building (ROU)	14
Total assets	**123**
Liabilities	
Lease liability	123
Total net parent investment and liabilities	**123**

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 'Uncertainty over income tax treatment' specifies how to reflect the effect of uncertainty in accounting for income taxes where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a tax treatment. The interpretation has not had a significant impact on the Combined Carve-Out Financial Statements.

Other standards

There have not been any other new or amended standards and interpretations that have significantly affected the Combined Carve-Out Financial Statements of Codan Denmark.

Accounting standards in issue but not yet effective with effect on Codan Denmark

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' has been issued to replace IAS 39 'Financial Instruments: 'Recognition and Measurement' and primarily changes' the classification and measurement of financial assets. In preparing the Combined Carve-Out Financial Statements the option available to insurance companies to defer adoption of IFRS 9 to 1 January 2023 alongside IFRS 17 'Insurance Contracts' has been applied. The implementation of IFRS 9 (Financial Instruments) is not expected to have a significant impact on Codan Denmark’s statement of financial position or profit and loss as all financial instruments are measured at fair value through profit and loss.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' is expected to enter into force for the accounting year commencing 1 January 2023. The impact of IFRS 17 (Insurance Contracts) is currently being assessed in a structured and formal manner and is expected to be concluded in due course ahead of the implementation date.

Other standards

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. Management has evaluated these changes, and none are expected to have a significant impact on the Combined Carve-Out Financial Statements.

Significant accounting estimates and judgements

The preparation of the Combined Carve-Out Financial Statements requires the use of certain critical accounting estimates and requires management to exercise its judgement in application of accounting policies. Estimates are based on Management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates made in preparing the financial information reflect the facts and circumstances which existed at the time such estimates were made.

The most significant estimates are as follows:

- Valuation of insurance contract liabilities: the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled, please refer to note 16, Claims provisions, for additional information;

- Fair value of financial assets and liabilities: measurement of financial assets and liabilities that rely on use of significant unobservable inputs, please refer to note 13, Financial assets and liabilities, for additional information;

- Recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised, please refer to note 17, Deferred tax, for additional information; and

- Measurement and impairment of goodwill and intangible assets: key assumptions applied in the valuation of the recoverable amount and the estimation of useful economic life, please refer to note 11, Intangible assets, for additional information.

Additional information on estimation techniques and assumptions is presented in the relevant note in order to provide context to the figures presented.

Foreign currency translation

Except for the US Branch of Codan Forsikring the functional currencies used by Codan Denmark is DKK. The functional currency used by the US Branch is USD.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the combined carve-out statements of profit or loss as value adjustments.

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

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in net parent investment as part of the translation reserve. The translation reserve is not presented separately in the Statement of Changes in Net parent investment for the reasons set out in the Basis of preparation.

Income statement

Premiums

Premium income represents gross premiums written during the year, net of reinsurance premiums and adjusted for changes in premium provisions and changes in Profit- & Risk Margin, corresponding to an accrual of premiums to the risk period of the policies, and in the reinsurers' share of the premium provisions.

Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract.

Claims

Claims consists of claims paid during the year adjusted for changes in claims provisions less the reinsurers' share. In addition, the item includes run-off gains/losses in respect of previous years. The portion of the increase in provisions which can be ascribed to unwinding is transferred to Return on value adjustment on technical provision.

Claims are shown inclusive of direct and indirect claims handling costs, including costs of inspecting and assessing claims, costs to combat and mitigate damage and other direct and indirect costs associated with the handling of claims incurred.

Changes in claims provisions due to changes in yield curve and exchange rates are recognised as a price adjustment.

Bonus and premium discounts

Bonus and premium discounts represent anticipated and refunded premiums to policyholders, where the amount refunded depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the insurance was taken out.

Insurance operating costs

Insurance operating costs represent acquisition costs and administration expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Underwriting commission is recognised when a legal obligation occurs. Administration expenses are all other expenses attributable to the administration of the insurance portfolio. Administration expenses are accrued to match the financial year.

Long-term incentive plan

Long-term incentive plan (Performance Share Plan) schemes are operated for key employees based on various performance targets. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, Codan Denmark revises the estimates of the number of options expected to be exercised. Codan Denmark recognises the impact of the revision of original estimates, if any, in the combined carve-out statements of profit or loss and a corresponding adjustment to net parent investment over the remaining vesting period.

Investment activities

Interest and dividends represent interest earned and dividends received during the financial year. Realised and unrealised investment gains and losses, including gains and losses on derivative financial instruments, value adjustment of investment property, foreign currency translation adjustments and the effect of movements in the yield curve used for discounting, are recognised as value adjustments.

Investment management charges represent expenses relating to the management of investments including salary and management fees on the investment area.

Other costs

Other costs include expenses which cannot be ascribed to Codan Denmark´s insurance portfolio or investment assets, including impairment of goodwill.

Other comprehensive income

In a separate section named "Other comprehensive income", following the income statement, the below listed value changes are recognised:

- Changes in value of hedges instruments which relates to hedging of fluctuations in future cash flow; and

- Changes in value of hedges instruments which relates to hedging of currency exposure on investments in foreign entities.

For each item recognised under other comprehensive income the related tax effects are recognised as separate items under Other comprehensive income as well.

Statement of financial position

Intangible assets

Goodwill

Goodwill is acquired in connection with acquisition of business. Goodwill is calculated as the difference between the cost of the undertaking and the fair value of acquired identifiable assets, liabilities, and contingent liabilities at the time of acquisition. Goodwill is allocated to the cash generating units under which management manages the investment and is recognised under intangible assets. Goodwill is not amortised but is tested for impairment at least once per year.

Customer lists

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

Internal IT Development

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

Costs include materials and services attributable to development activities.

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

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

Development activities include the development of IT programs and platforms as well as major strategic efforts within insurance systems.

Property, plant and equipment

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

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

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

Leasing

Year ended 31 December 2018

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

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

Assets held under operating leases are not recognised in the balance sheet, and lease payments are re-cognised in the combined carve-out statements of profit or loss on a straight-line basis over the period of the lease.

Year(s) ended 31 December 2019, 2020

Right-of-use-assets (Operating Equipment & Owner-occupied property)

At inception of a contract, contracts are assessed as to whether a contract is, or contains, a lease. This has the following prerequisites:

- The underlying asset is identifiable;
- Codan Denmark has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use;
- Codan Denmark has the right to direct the use of the asset.
- A right-of-use asset (ROU asset) and a corresponding lease liability with respect to all lease agreements in which Codan Denmark is lessee, excluding short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

- At inception or on reassessment of a contract that contains lease components, the consideration in the contract is allocated to each lease component based on their relative stand-alone prices.

- Right-of-use asset and lease liability are recognised at the lease commencement date. The ROU asset is initially measured the cost, which comprises the initial amount of the lease liability adjusted for;

- lease payments made at or before the commencement date;

- any initial direct cost incurred;

- estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset;

- lease incentives received; and

- ROU assets are tested for impairment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments. A corresponding adjustment is made to the carrying amount of the ROU asset.

Impairment test for intangible assets, property, plant and equipment

Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also applies to the salvage value. Write-down is performed if impairment has been demonstrated.

Goodwill is tested annually for impairment, or more often if there are indications of impairment, and impairment testing is performed for each cash-generating unit to which the asset belongs. The present value is normally established using budgeted cash flows based on business plans. The business plans are based on past experience and expected market developments.

Total investment assets

Total Investment assets comprise loans to related parties, equity investments, unit trust, bonds, other lending and derivative financial instruments.

Investment assets include financial assets at fair *with value adjustments* recognised in the combined carve-out statements of profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Financial assets measured at fair value with recognition of value adjustments in the combined carveout statements of profit or loss comprise assets that form part of a trading portfolio and financial assets designated at fair value with value adjustment via the combined carve-out statements of profit or loss.

Financial assets at fair value with value adjustments recognised in combined carve-out statements of profit or loss

Financial assets are recognised at fair value on initial recognition if they are entered in a portfolio that is managed in accordance with fair value. Derivative financial instruments are similarly classified as financial assets held for sale unless they are classified as security.

Realised and unrealised profits and losses that may arise because of changes in the fair value for the category financial assets at fair value are recognised in the combined carve-out statements of profit or loss in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or if they have been transferred, and Codan Denmark has also transferred substantially all risks and rewards of ownership. Financial assets are recognised and derecognised on a trade date basis, the date on which Codan Denmark commits to purchase or sell the asset.

The fair values of quoted securities are based on stock exchange prices at the statement of financial position date. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using valuation techniques. These include the use of similar recent arm's length transactions, reference to other similar instruments or discounted cash flow analysis.

Derivative financial instruments

For financial derivatives, which do not qualify for hedge accounting, changes in fair value are recognised in the combined carve-out statements of profit or loss.

The fair value of financial derivatives is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent. Financial derivatives comprise foreign exchange contracts, repo contracts and inflation swaps.

Total reinsurers' share of provisions for insurance contracts

Reinsurers' share of premium provisions

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

Reinsurers' share of claims provisions

Contracts entered into with reinsurers under which Codan Denmark is compensated for losses on one or more contracts issued by Codan Denmark and that meet the classification requirements for insurance contracts are classified as reinsurers' share of provisions for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which Codan Denmark is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of provisions for insurance contracts.

Amounts receivable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Changes due to unwinding and changes due to changes in the yield curve are recognised as Return on value adjustment on technical provision. Changes due to or foreign exchange rates are recognised as value adjustments.

Codan Denmark continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, Codan Denmark reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the combined carve-out statements of profit or loss.

Earned premiums, claims incurred, and technical provisions are shown on a gross basis in the combined carve-out statements of profit or loss and the balance sheet, i.e., gross of reinsurance.

Receivables

Total receivables comprise accounts receivable from policyholders, receivables from brokers, receivables from insurance enterprises, receivables from related parties, other receivables as well as other accounts receivable.

Receivables that arise because of insurance contracts are classified in this category and are reviewed for impairment as a part of the impairment test of accounts receivable.

Receivables are recognised initially at fair value and are subsequently assessed at amortised cost. The combined carve-out statements of profit or loss includes an estimated reservation for expected unobtainable sums when a clear indication of asset impairment is observed. The reservation entered is assessed as the difference between the carrying amount of an asset and the present value of expected future cash flows.

Other assets

Other assets include current tax assets and cash at bank and in hand. Current tax assets are receivables concerning tax for the year adjusted for on-account payments and any prior-year adjustments. Cash at bank and in hand is recognised at nominal value at the statement of financial position date.

Prepayments and accrued income

Prepayments and accrued income comprise interest and rent receivable and other prepayments and accrued income and include expenses paid in respect of subsequent financial years and interest receivable. Accrued underwriting commission relating to the sale of insurance products is also included.

Net Parent Investment

Codan Denmark have neither in the past constituted a separate legal group nor presented any stand-alone consolidated financial statements. Therefore, net parent investment of Codan Denmark is made up of combined carve-out assets less combined carve-out liabilities that have been identified as belonging to the operations and entities being combined. As the combined carve-out operations and entities do not constitute one legal entity or group, net parent investment is theoretical and cannot be reconciled to information of identifiable legal entities.

Contingency fund reserves

Contingency fund reserves are recognised as a separate reserve under net parent investment. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. Deferred tax on the contingency fund reserves is allocated.

Branch capitalization

Capital is allocated to Trygg-Hansa branch and Codan Norway branch following the methodology set out in the OECD Report on attribution of profits to permanent establishments. Capital requirements are calculated for the individual branches and capital is transferred from and to the branches aligning the equity of the branches to the capital requirements via the intercompany balances against the branches.

The intercompany balances arising from the branch capitalizations are subject to interest calculations.

Net dividends/transfers to/from RSA

Net dividends/transfers to/from RSA includes dividend/transfers received from Trygg-Hansa branch and Codan Norway branch and dividend received from subsidiaries and dividend paid to Codan A/S.

Provision for insurance contracts

Premium provisions

Premiums written are recognised in the combined carve-out statements of profit or loss (premium income) proportionally over the period of coverage and, where necessary, adjusted to reflect any time variation of the risk. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as premium provisions. Premium provision is recognised when the insurer is bound. Premium provisions are calculated as present value of the future cash flows related to the remaining risk periods on already incepted insurance contracts and including bound but not incepted contracts not due for payment by the policyholder.

The cash flows include claims payments, direct and indirect expenses and (remaining) premium payments that the Company according to its best estimate is expected to incur. Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract.

For both claims and premium provision the present value assessment of the cash flows (discounting) is based upon the yield curve published by EIOPA. Matching and volatility adjustments are made.

The part of the provision that is attributable to the expected future profit on the provision for premium provision shall be recognised in “Profit margin on insurance contracts”. A risk margin shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date. The risk margin is recognised in the balance sheet item “Risk margin on general insurance contracts”.

The difference between the premium provisions gross, at the beginning and at the end of the accounting period is recognised as change in the premium provision. However, the proportion of the balance attributable to currency translation differences is recognised in the income statement as “Return on and value adjustments on technical provisions”.

Return on value adjustment on technical provision are calculated as the proportion of the changes to the present value of the premium provisions attributable to changes in the yield curve used for discounting and attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

Risk margin on general insurance contracts

Risk Margin is the risk premium that a third party in principle would demand to take over the insurance liabilities and associated risk. We calculate using a cost of capital approach with a yearly update at Q3 using latest full year information.

The difference between the risk margin related to the premium provision, at the beginning and at the end of the accounting period is recognised as “Change in profit margin and risk margin”. The difference between the risk margin related to the technical provision, at the beginning and at the end of the accounting period is recognised as “Change in risk margin”.

Profit margin on general insurance contracts

Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted insurance contracts, and incepted insurance contracts with remaining risk period, meaning the insurance contracts covered by the premium provision. In case the future claims payments and risk margin for a line of business are expected to exceed the future premiums, the profit margin has been set to zero.

Profit margin on insurance contracts is measured as the difference between premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk period and the expected claims payments included in the premium reserve. The difference between the profit margin, at the beginning and at the end of the accounting period is recognised as “Change in profit margin and risk margin”.

Claims and claims handling costs are expensed in the combined carve-out statements of profit or loss as incurred based on the estimated liability for compensation owed to policyholders or third parties sustaining losses at the hands of the policyholders. They include direct and indirect claims handling costs that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to Codan Denmark. Claims provisions are estimated using the input of assessments for individual cases reported to Codan Denmark and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The provisions include claims handling costs.

Claims provisions

Claims provisions are estimated using previous claims experience with similar cases, historical payment trends, the volume and nature of the insurance underwritten by Codan Denmark and current specific case reserves. Also considered are developing loss payment trends, the potential long term significance of large events, and the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions.

Codan Denmark uses a number of commonly accepted actuarial projection methodologies to determine the appropriate provision to recognise. These include methods based upon the following:

- The development of previously settled claims, where payments to date are extrapolated for each prior year;
- Estimates based upon a projection of claims numbers and average cost;
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years;
- Expected loss ratios;
- Bornhuetter-Ferguson method, which combines features of the above methods; and
- Bespoke methods for specialist classes of business, a frequency/severity model based upon transition matrices between the various stages of a claim.

In selecting the method and estimate appropriate to any one class of insurance business, Codan Denmark considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year.

Individually large and significant claims are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of major claims (single claims exceeding DKK 5 million).

Claims provisions are discounted based upon the Solvency II yield curve published by EIOPA. Matching adjustment and volatility adjustments are made.

Provisions for bonuses and premium discounts

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

Current and deferred tax liability

Codan Denmark expenses current tax according to the tax laws of the jurisdictions in which it operates. Current tax liabilities and current tax receivables are recognised in the statement of financial position as estimated tax on the taxable income for the year, adjusted for change in tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured according to the statement of financial position liability method on all timing differences between the tax and accounting value of assets and liabilities. Deferred income tax is measured using the tax rules and tax rates that apply in the relevant countries on the statement of financial position date when the deferred tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets, including the tax value of tax losses carried forward, are recognised to the extent that it is probable that future taxable profit will be realised against which the temporary differences can be offset.

Deferred income tax is provided on temporary differences concerning investments, except where Codan Denmark controls, when the temporary difference will be realised, and it is probable that the temporary difference will not be realised in the foreseeable future.

Other provisions

Provisions are recognised when Codan Denmark has a legal or constructive obligation because of an event prior to or at the statement of financial position date, and it is probable that future economic benefits will flow out of Codan Denmark. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation.

Other liabilities

Other liabilities comprise debt relating to direct insurance, debt relating to reinsurance, amounts owed to credit institutions, debt to related parties, lease liability, current tax liability and other debt.

Amounts owed to credit institutions are initially recognised at fair value, which usually corresponds to the nominal value, and are subsequently stated at amortised cost. Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value in respect of short-term non-interest-bearing payables. Accounting policies for current tax liability are outlined above.

Employee benefits

Codan Denmark has entered into pension agreements and similar agreements with the majority of its employees. Contributions to defined-contribution schemes under which fixed contributions are paid to independent pension funds on an ongoing basis are recognised in the combined carve-out statements of profit or loss in the period to which they relate, and any contributions payable are recognised in the balance sheet as other debt. When contributions to defined-contribution schemes have been paid, the Company has no further obligations to present or former employees.

Accruals and deferred income

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

Methods for calculating financial ratios

The financial ratios have been calculated in accordance with the he Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). The ratios included in the five-year summary have been calculated as follows:

Gross claims ratio	The relation between claims incurred and earned premiums. Earned premiums are reduced by bonuses and rebates.
Gross expense ratio	The relation between operating expenses and earned premiums. Earned premiums are reduced by bonuses and rebates. Operating expenses are calculated as the sum of acquisition costs and administrative expenses.
Net reinsurance ratio	The relation between profit or loss from reinsurance and earned premiums. Earned premiums are reduced by bonuses and rebates.
Combined ratio	The sum of the gross claims ratio, the gross expense ratio and the net reinsurance ratio, which shows profit/loss from reinsurance in proportion to gross earned premiums less bonuses and rebates.
Relative run-off result	The run-off result in relation to the corresponding opening provision.

2. Risk and capital management

As an insurance entity, Codan Denmark is in the business of actively seeking risk with a view to adding value by managing it. Codan Denmark's risk management involves the assessment of a large number of risks affecting its activities.

Insurance risk

Insurance risk is the risk relating to unexpected or unplanned losses entering into contracts of insurance. To facilitate identification and control, Codan Denmark divide Insurance Risk into Underwriting Risk, Reserving Risk, Catastrophe Risk and Reinsurance Risk:

- Underwriting Risk covers the (non-catastrophe) risks of unexpected or unplanned losses arising from acceptance of risk that deviates from target risk mix or portfolio strategy, inaccurate pricing or inadequate control over risk accumulation;

- Catastrophe Risk covers the risk of unexpected or unplanned losses arising from natural catastrophe events this can arise from bad experiences, ineffective exposure control, poor risk selection or failure to underwrite or handle claims effectively due to management inefficiencies or process deficiencies;

- Reserving Risk covers the risks that claims provisions at the valuation date are not enough to cover claims which occur prior to the evaluation date. This can arise from adverse experience, third party interventions, unanticipated market conditions, failure to handle claims effectively due to management information or process deficiencies and ineffective technical reserving; and

- Reinsurance Risk covers the risk of unexpected or unplanned losses arising from the

Market risk

Market risk is the risk that volatility of financial markets, including fluctuations in interest rates, equity markets and currency exchange rates and/or macroeconomic factors impact its results of operations and financial condition. Codan Denmark applies a Market Risk Policy and a Liquidity Risk Policy that set out the minimum requirements for the identification, measurement, monitoring and reporting of Market and Liquidity Risk for its investment portfolio. A set of key risk indicators in the form of an Investment Limits framework has been developed alongside the investment policy—the policy refers to this for investment risk management and reporting purposes.

Interest rate risk arises primarily from investments in long-term debt and fixed income securities and their movement relative to the value placed on insurance liabilities. This impacts both the fair value and amount of variable returns on existing assets as well as the cost of acquiring new fixed maturity investments.

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Codan Denmark is limited exposed to currency risk through the foreign US Branch.

Liquidity risk

Liquidity risk refers to the risk of loss to Codan Denmark as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. Codan Denmark’s short-term liquidity is monitored through ongoing cash management. Long-term cash management is handled through Asset Liability Management (ALM).

Codan Denmark's exposure with respect to fixed income assets and various liabilities is shown in the table below:

Contractual repricing or maturity dates

DKKm	<1 yr	1 – 5 yrs	5 – 10 yrs	10 – 20 yrs	>20 yrs	Total
2020						
Bonds	1,511	3,877	939	589	3,168	10,084
Deposits with credit institutions, call deposits etc.	326	352	-	112	-	790
Other	-	1	-	-	-	1
Receivables from Group entities	2,729	-	-	-	-	2,729
Financial assets	**4,566**	**4,230**	**939**	**701**	**3,168**	**13,604**
Amounts owed to Group entities	560	-	-	-	-	560
Lease payables	57	28	1	-	-	86
Financial liabilities	**617**	**28**	**1**	**-**	**-**	**646**
2019						
Bonds	430	6,097	701	499	2,849	10,576
Deposits with credit institutions, call deposits etc.	316	3	-	112	-	431
Other	8	2	-	-	-	10
Receivables from Group entities	3,325	-	-	-	-	3,325
Financial assets	**4,079**	**6,102**	**701**	**611**	**2,849**	**14,342**
Amounts owed to Group entities	1,475	-	-	-	-	1,475
Lease payables	59	125	1	-	-	185
Financial liabilities	**1,534**	**125**	**1**	**-**	**-**	**1,660**
2018						
Bonds	1,363	5,331	750	652	2,605	10,701
Deposits with credit institutions, call deposits etc.	149	-	-	-	-	149
Other	1	1	-	-	-	2
Receivables from Group entities	2,979	-	-	-	-	2,979
Financial assets	**4,492**	**5,332**	**750**	**652**	**2,605**	**13,831**
Amounts owed to Group entities	1,352	-	-	-	-	1,352
Lease payables	-	-	-	-	-	-
Financial liabilities	**1,352**	**-**	**-**	**-**	**-**	**1,352**

Credit risk

Credit risk is the risk that a counterparty fails to live up to financial obligations towards Codan Denmark. Codan Denmark is exposed to credit risk in respect of its reinsurance contracts; insurance operations (where counterparties include brokers, policy holders and suppliers); and investments (where counterparties include governments and corporate bond issuers).

Codan Denmark's investment portfolio primarily consists of AAA-rated government and mortgage bonds. The credit quality is based on a credit rating rating hierarchy: First Standard & Poors, second Moody’s and third Fitch Ratings. Under Codan's Market Risk Policy, all ratings of “significant exposures” (lower of £50m-equivalent/10% of entity portfolio), are reviewed at least annually.

Codan Denmark's bond portfolio based on Standard & Poor's ratings is shown in the following table:

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Rating			
AAA	8,342	8,876	8,693
AA	646	528	933
A	754	855	832
BBB	342	317	243

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

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Maximum credit risk			
Bonds	10,084	10,576	10,701
Other loans, deposits with credit institutions and call deposits etc	790	431	149
Other	1	10	2
Reinsurers' share of premium provisions	114	-24	26
Reinsurers' share of provision for claims	611	503	375
Receivables from policyholders	886	928	981
Receivables from brokers	7	8	8
Receivables from insurance companies	85	62	23
Receivables from Group entities	2,729	3,325	2,979
Other receivables	128	59	103
Current tax assets	-	51	44
Accrued interest and rent	70	84	90
Maximum credit risk	**15,505**	**16,013**	**15,481**

Operational risk

Operational risk is the risk of failures in internal procedures, IT systems, process errors, internal and external fraud, and other risks affiliated with operations that are not covered by the financial risks and strategic risks. Operational risk exists in almost every aspect of business within Codan Denmark, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives. The Risk Management Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The Risk Management System sets out Codan Denmark's approach to minimizing and/or preventing the risk of material loss, reputational damage or liability arising from the failure to comply with risk requirements with a particular focus on operational risk.

Capital management

Regulatory solvency requirements are generally only applicable to groups or solo legal entities and not individual business units. During the period under review, Codan Denmark were not a stand-alone group of legal entities and as such did not have a specific solvency requirement applying to them. Codan and its subsidiaries, of which Codan Denmark form a part, were subject to such solvency requirements and the discussion below relates to these legal entities.

To ensure entities within RSA Scandinavia are adequately capitalized, the boards of directors of Codan A/S and its subsidiaries have defined capital measures which are regularly monitored. Capital measures include accounting equity, own funds and capital requirements as set out in Danish Financial Supervisory Authority's regulation and the Solvency II regulation. The solvency capital requirements are calculated using an Internal Model and are validated by stresses on selected scenarios.

For capital management purposes the Internal Model is used to assess and calculate SCRs and scenarios. The Internal Model is used to calculate the SCR and for performance review purposes capital allocations are derived from the model. The Internal Model is further used for assessing impact of major strategic decisions and updates to the operational plan. The Internal Model is tailored to Codan Forsikring and its subsidiaries and is continuously developed, which includes an annual re-parameterization. The Internal Model is a cash flow-based stochastic model, which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. As well as being used to calculate the SCR, the Internal Model is also used to allocate capital to individual lines of business, help assess reinsurance purchases and evaluate the impact of strategic decisions.

Codan and its subsidiaries have been adequately capitalised throughout the reported periods presented.

Own Risk and Solvency Assessment

Codan Forsikring annually conducts an ORSA based on Solvency II principles. The ORSA requires that Codan Forsikring assesses all material risks that each are or may be exposed to and assess whether the SCR is reasonable and reflects and its actual risk profile. The ORSA consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report. In addition, outputs of the internal model are used by the ORSA Committee and the Supervisory Board as an integral part of its decision making, to setting the risk appetite, adjusting investment exposure and hedges, reinsurance strategy, insurance portfolio risk assessment, and key strategic decisions such as disposals.

3. Segmental analysis

Technical result, net of reinsurance by operating segment

DKKm	Personal	Commercial
2020		
Gross premium income	2,174	3,201
Gross claims incurred	-1,278	-2,425
Gross operating expenses	-501	-612
Profit/loss on gross business	**395**	**164**
Profit/loss from reinsurance	-9	44
Technical result	**386**	**208**
Gross claims ratio	58.8%	75.8%
Net reinsurance ratio	0.4%	-1.4%
Claims experience	59.2%	74.4%
Gross expense ratio	23.0%	19.1%
Combined ratio	82.2%	93.5%

DKKm	Personal	Commercial
2019		
Gross premium income	2,248	3,553
Gross claims incurred	-1,474	-3,217
Gross operating expenses	-481	-663
Profit/loss on gross business	293	-327
Profit/loss from reinsurance	-32	-185
Technical result	**261**	**-512**
Gross claims ratio	65.6%	90.5%
Net reinsurance ratio	1.4%	5.2%
Claims experience	67.0%	95.8%
Gross expense ratio	21.4%	18.7%
Combined ratio	88.4%	114.4%

DKKm	Personal	Commercial
2018		
Gross premium income	2,285	3,745
Gross claims incurred	-1,499	-2,971
Gross operating expenses	-482	-650
Profit/loss on gross business	304	124
Profit/loss from reinsurance	-36	-307
Technical result	**268**	**-183**
Gross claims ratio	65.6%	79.3%
Net reinsurance ratio	1.6%	8.2%
Claims experience	67.2%	87.5%
Gross expense ratio	21.1%	17.4%
Combined ratio	88.3%	104.9%

Technical result, net of reinsurance by line of business

DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
2020				
Gross premium written	468	123	502	255
Gross premiums earned	**501**	**124**	**499**	**266**
Gross claims incurred	-285	-88	-430	-175
Bonuses and rebates	-	-	-	-2
Operating expenses, gross	-113	-30	-94	-59
Profit/loss from reinsurance	-	-	-	-2
Balance on technical account	**103**	**6**	**-25**	**28**
Number of claims paid	16,662	19,993	6,830	17,381
Average claims paid in DKK	17.1	4.4	62.9	10.1
Claims frequency	5.3%	39.9%	30.3%	14.9%

DKKm	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
2020				
Gross premium written	739	305	888	1,900
Gross premiums earned	**779**	**305**	**965**	**1,663**
Gross claims incurred	-479	-205	-563	-1,275
Bonuses and rebates	-2	-5	-14	-48
Operating expenses, gross	-196	-41	-217	-273
Profit/loss from reinsurance	-2	-46	-13	58
Balance on technical account	**100**	**8**	**158**	**125**
Number of claims paid	68,347	1,686	79,953	11,706
Average claims paid in DKK	7.0	121.8	7.0	108.9
Claims frequency	68.2%	17.5%	8.7%	4.5%

DKKm	Liability	Tourist Assistance*	Other insurance	Total general insurance
2020				
Gross premium written	127	86	134	5,527
Gross premiums earned	**127**	**88**	**133**	**5,450**
Gross claims incurred	-110	-49	-44	-3,703
Bonuses and rebates	-4	-	-	-75
Operating expenses, gross	-31	-16	-43	-1,113
Profit/loss from reinsurance	7	7	26	35
Balance on technical account	**-11**	**30**	**72**	**594**
Number of claims paid	2,553	25,729		250,850
Average claims paid in DKK	43.0	1.9		14.8
Claims frequency	5.6%	52.2%		13.2%

DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
2019				
Gross premium written	486	137	520	290
Gross premiums earned	**507**	**140**	**551**	**303**
Gross claims incurred	-312	-107	-528	-292
Bonuses and rebates	-1	-	-	-
Operating expenses, gross	-112	-30	-117	-59
Profit/loss from reinsurance	-	-	-1	-2
Balance on technical account	**82**	**3**	**-95**	**-50**
Number of claims paid	13,651	24,064	8,581	17,279
Average claims paid in DKK	22.8	4.4	61.6	16.9
Claims frequency	5.9%	40.1%	33.7%	9.1%

DKKm	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
2019				
Gross premium written	800	271	932	1,859
Gross premiums earned	**823**	**270**	**982**	**1,887**
Gross claims incurred	-522	-140	-653	-1,736
Bonuses and rebates	-34	-1	-12	-35
Operating expenses, gross	-176	-39	-219	-310
Profit/loss from reinsurance	-2	-30	-29	-161
Balance on technical account	**89**	**60**	**69**	**-355**
Number of claims paid	59,654	1,927	63,135	15,463
Average claims paid in DKK	8.8	72.6	10.3	112.2
Claims frequency	35.6%	17.2%	11.9%	4.8%

DKKm	Liability	Tourist Assistance*	Other insurance	Total general insurance
2019				
Gross premium written	142	106	128	5,671
Gross premiums earned	**142**	**153**	**128**	**5,886**
Gross claims incurred	-88	-104	-209	-4,691
Bonuses and rebates	-2	-	-	-85
Operating expenses, gross	-36	-11	-35	-1,144
Profit/loss from reinsurance	-18	-	26	-217
Balance on technical account	**-2**	**38**	**-90**	**-251**
Number of claims paid	3,052	21,065		227,882
Average claims paid in DKK	28.8	4.9		20.6
Claims frequency	5.6%	38.5%		13.8%

DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
2018				
Gross premium written	512	143	532	326
Gross premiums earned	**523**	**145**	**514**	**322**
Gross claims incurred	-305	-130	-309	-167
Bonuses and rebates	-	-	-	-
Operating expenses, gross	-109	-30	-113	-62
Profit/loss from reinsurance	-1	-	-1	-2
Balance on technical account	**108**	**-15**	**91**	**91**
Number of claims paid	12,967	26,007	8,866	15,370
Average claims paid in DKK	23.5	5.0	34.9	10.9
Claims frequency	7.1%	48.1%	32.5%	7.4%

DKKm	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
2018				
Gross premium written	835	262	993	1,736
Gross premiums earned	**862**	**271**	**1,021**	**1,987**
Gross claims incurred	-597	-186	-703	-1,814
Bonuses and rebates	-22	-4	-25	-45
Operating expenses, gross	-190	-29	-219	-285
Profit/loss from reinsurance	-3	-109	-32	-127
Balance on technical account	**50**	**-57**	**42**	**-284**
Number of claims paid	55,066	2,088	58,797	14,187
Average claims paid in DKK	10.8	88.9	12.0	127.8
Claims frequency	30.2%	16.6%	19.3%	4.4%

DKKm	Liability	Tourist Assistance*	Other insurance	Total general insurance
2018				
Gross premium written	173	168	136	5,816
Gross premiums earned	**179**	**168**	**142**	**6,134**
Gross claims incurred	-137	-145	23	-4,470
Bonuses and rebates	-8	-	-	-104
Operating expenses, gross	-40	-19	-36	-1,132
Profit/loss from reinsurance	-8	-	-60	-343
Balance on technical account	**-14**	**4**	**69**	**85**
Number of claims paid	3,198	20,538		217,092
Average claims paid in DKK	42.7	7.1		20.6
Claims frequency	5.7%	39.6%		15.5%

4. Premium income, net of reinsurance

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Direct insurance	5,324	5,774	6,005
Indirect insurance	126	112	129
	5,450	**5,886**	**6,134**
Ceded direct insurance	-402	-582	-585
	5,048	**5,304**	**5,549**

5. Claims, net of reinsurance

DKKm	Year Ended 31 December 2020	2019	2018
Claims	-4,160	-4,854	-4,723
Run-off previous years, gross	457	163	253
	-3,703	**-4,691**	**-4,470**
Reinsurance cover received	317	322	311
Run-off previous years, reinsurers' share	93	5	-94
	410	**327**	**217**
Claims, net of reinsurance	**-3,293**	**-4,364**	**-4,253**

6. Insurance operating costs

DKKm	Year Ended 31 December 2020	2019	2018
Insurance operating costs, net of reinsurance			
Commissions regarding direct insurance contracts	-310	-314	-296
Other acquisition costs	-480	-493	-481
Total acquisition costs	**-790**	**-807**	**-777**
Administration expenses	-323	-337	-355
Insurance operating costs, gross	**-1,113**	**-1,144**	**-1,132**
Commission from reinsurers	27	38	25
	-1,086	**-1,106**	**-1,107**

DKKm	Year Ended 31 December 2020	2019	2018
Insurance operating costs, gross			
Commissions	-310	-314	-296
Staff expenses	-862	-814	-824
Other staff expenses	-22	-11	-24
Office expenses, fees and headquarter expenses	246	176	133
Depreciation, amortisation and impairment losses and write-downs	-165	-181	-121
	-1,113	**-1,144**	**-1,132**

Breakdown of staff expenses			
Wages and salaries	-614	-579	-574
Defined contribution schemes	-109	-93	-108
Other social security costs	2	4	5
Payroll tax	-120	-120	-120
Long term incentive plan costs	-10	-2	-6
Employment agency costs	-11	-24	-21
	-862	**-814**	**-824**

Incentive schemes

Codan Denmark is covered by the Performance Share Plan/Long Term Incentive Plan established by RSA Insurance Group plc (RSA). Members of the board of management and material risk takers may be eligible to this incentive scheme. The members of the board of directors do not receive any incentive-based remuneration.

The structure of the plan allows for different types of awards to be made. All awards are settled in the form of ordinary shares in RSA.

Performance Shares

Performance Shares is an award where the outcome of performance measures determines the number of shares that vest. Conditional long-term incentive awards are granted annually in the form of Performance Shares and may vest wholly or partially subject to company performance conditions.

A retention period applies to vested Performance Shares. Awards can be reduced or otherwise amended, provided the action is fair and justifiable, for example, to guard against a windfall award or the converse generated by an accounting treatment. Vesting can be adjusted downwards for current or future risk exposure. Before vesting, they will normally lapse if the participant leaves and may be subject to performance conditions.

Performance conditions are reviewed for each new cycle and set in line with the operational plan, long-term strategy and consideration of shareholder interests. The normal maximum LTIP opportunity is 40% of salary.

Deferred Bonus Shares

Deferred Bonus Shares is an award made when part of a bonus is deferred in shares i.e., not paid immediately. For material risk takers 50% of the bonus is deferred into a share award for a period of three years, and 50% is awarded in cash. Deferred Bonus Shares are generally retained if the employee leaves RSA unless the employee is dismissed for cause. The awards are not subject to performance conditions. Awards are subject to malus and claw back provisions, which is reviewed annually.

Restricted Shares

Restricted Shares is an award made for recruitment purposes or in highly exceptional circumstances, such as retention. This would be considered as a 'one-off' award. Where an exceptional award is made, full disclosure will be given on the rationale.

The value of awards described above during the years ended 31 December 2020, 2019 and 2018 are not material to the Combined Carve-Out Financial Statements and are not disclosed.

7. Interest and dividends

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Interest and dividends			
Dividends	36	49	36
Interest income, cash at bank and in hand	6	23	17
Interest income, bonds	155	211	231
Interest income, group companies	24	17	26
	221	**300**	**310**
Interest expenses			
Interest expenses	-6	-13	-21

8. Value adjustments

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Value adjustments on financial assets and liabilities			
Equity investments	-59	40	-43
Unit trust	-2	-7	2
Bonds	-123	-78	-144
Other loans	0	18	14
Derivatives	-15	26	42
Value Adjustments on financial assets and liabilities	**-199**	**-1**	**-129**
Other value adjustments:			
Other statement of financial position items	97	32	-8
Value adjustment	**-102**	**31**	**-137**
Realised gains and losses on investments:	-276	-194	-66
Unrealised gains and losses on investments	-84	193	-66
Other realised gains and losses	-2	37	1
Value adjustments and other unrealised gains and losses	260	-5	-6
Value adjustments	**-102**	**31**	**-137**

9. Other costs

Other costs include expenses which cannot be ascribed to Codan´s insurance portfolio or investment assets, including impairment of goodwill.

10. Tax

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Tax on total income for the year:			
Current tax expense	-60	2	-51
Change in deferred tax on temporary differences	-28	38	11
Tax on total income for the year	**-88**	**40**	**-40**
Adjustments relating to previous years:			
Current tax for previous years	-3	-2	30
Adjustment of deferred tax at 1 January	7	-1	-8
Adjustments relating to previous years	**-**	**-**	**-**
Tax expense	**4**	**-3**	**22**
Tax is included as follows:			
Tax in the income statement	-85	37	-18
Tax on changes in net parent investment	1	-	-
Tax expense	**-84**	**37**	**-18**
Total tax on total income for the year can be explained as follows:			
Profit before tax	553	-156	177
Applicable tax rate	22.0%	22.0%	22.0%
Tax calculated on total income	**-122**	**34**	**-39**
Tax on permanent differences:			
Adjustments regarding Equities (Unrealised gains/losses)	2	1	1
Income not subject to tax	-	7	-
Expenses disallowed for tax purposes	-2	-1	-1
Other permanent differences	33	-1	- 1
Tax	**-89**	**40**	**-40**
Tax on total income for the year	-89	40	-40
Adjustment of tax relating to previous years	4	-3	22
Tax expense	**-85**	**37**	**-18**
Effective tax rate	**16.1%**	**25.6%**	**22.6%**

11. Intangible assets

DKKm	Completed internal IT development	Goodwill	Internal IT development in progress
2020			
Cost, beginning of the year	**1,290**	**211**	**50**
Additions	38	-	22
Transferred from development projects in progress	38	-	-38
Cost, end of the year	**1,366**	**211**	**34**
Amortisation and impairment, beginning of the year	**-825**	**-67**	-
Currency translation adjustments, foreign branches	-	1	-
Amortisation	-87	-	-
Impairment	-7	- 4	-
Amortisation and impairment, end of the year	**-919**	**-70**	-
Carrying amount, end of the year	**447**	**141**	**34**
Carrying amount, beginning of the year	**465**	**144**	**50**
2019			
Cost, beginning of the year	**1,061**	**211**	**241**
Additions	-	-	38
Disposals	-	-	-
Transferred from development projects in progress	229	-	-229
Cost, end of the year	1,290	211	50
Amortisation and impairment, beginning of the year	-706	-66	-
Currency translation adjustments, foreign branches	-	- 1	-
Amortisation	-119	-	-
Reversal of amortisation relating to disposals	-	-	-
Amortisation and impairment, end of the year	**-825**	**-67**	-
Carrying amount, end of the year	**465**	**144**	**50**
Carrying amount, beginning of the year	**355**	**145**	**241**
2018			
Cost, beginning of the year	**948**	**211**	**278**
Additions	-	-	76
Disposals	-	-	-
Transferred from development projects in progress	113	-	-113
Cost, end of the year	**1,061**	**211**	**241**
Amortisation and impairment, beginning of the year	-587	-66	-
Amortisation	-119	-	-
Reversal of amortisation relating to disposals	-	-	-
Amortisation and impairment, end of the year	-706	-66	-
Carrying amount, end of the year	**355**	**145**	**241**

DKKm	Completed internal IT development	Goodwill	Internal IT development in progress
Carrying amount, beginning of the year	**361**	**145**	**278**

DKKm	Customer lists	Total intangible assets
2020		
Cost, beginning of the year	**-**	**1,551**
Additions	-	60
Transferred from development projects in progress	-	-
Cost, end of the year	**-**	**1,611**
Amortisation and impairment, beginning of the year	**-**	**-892**
Currency translation adjustments, foreign branches		1
Amortisation	-	-87
Impairment	-	-11
Amortisation and impairment, end of the year	**-**	**-989**
Carrying amount, end of the year	**-**	**622**
Carrying amount, beginning of the year	**-**	**659**
2019		
Cost, beginning of the year	**24**	**1,537**
Additions	-	38
Disposals	-24	-24
Transferred from development projects in progress	-	-
Cost, end of the year	**-**	**1,551**
Amortisation and impairment, beginning of the year	**-24**	**- 796**
Currency translation adjustments, foreign branches	-	- 1
Amortisation	-	- 119
Reversal of amortisation relating to disposals	24	24
Amortisation and impairment, end of the year	-	**- 892**
Carrying amount, end of the year	**-**	**659**
Carrying amount, beginning of the year	**-**	**741**
2018		
Cost, beginning of the year	**24**	**1,461**
Additions	-	76
Disposals	-	-
Transferred from development projects in progress	-	-
Cost, end of the year	**24**	**1,537**
Amortisation and impairment, beginning of the year	**-24**	**-677**
Currency translation adjustments, foreign branches	-	-

DKKm	Customer lists	Total intangible assets
Amortisation	-	- 119
Reversal of amortisation relating to disposals	-	-
Amortisation and impairment, end of the year	**-24**	**- 796**
Carrying amount, end of the year	**-**	**741**
Carrying amount, beginning of the year	**-**	**784**

Amortisation

Amortisation expenses of DKK 87 million, (2019: DKK 119 million, 2018: DKK 119 million) have been recognised in insurance operating costs.

Impairment

During 2020 a goodwill impairment charge of DKK 4 million, (2019: DKK 0 million, 2018: DKK 0 million) has been recognised in the Combined Carve-Out Statement of profit or loss within Other costs.

When testing for goodwill impairment, the carrying value of the Cash Generating Unit (CGU) to which goodwill has been allocated is compared to the recoverable amount as determined by a value in use calculation. These calculations use cash flow projections based on operating plans approved by management covering a three-year period and using the best estimates of future premiums, operating expenses and taxes using historical trends, general geographical market conditions, industry trends and forecasts and other available information as discussed in more detail in the strategic report section. Cash flows beyond this period are extrapolated using the estimated growth rates which management deem appropriate for the CGU. The cash flow forecasts are adjusted by appropriate discount rates. Where a sales price has been agreed for a CGU, the sales proceeds less costs to sell are considered the best estimate of the value in use.

When testing for intangible asset impairment (including those not available for use), a consistent methodology is applied although future cash flow projection years are not extrapolated beyond the asset's useful economic life.

Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill or intangible asset is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Group.

Goodwill is allocated within Codan Denmark as follows:

DKKm	Year Ended 31 December 2020	2019	2018
Trekroner portfolio	133	133	133
Zurich Marine	8	11	12
Total goodwill	**141**	**144**	**145**

DKKm	Year Ended 31 December 2020	2019	2018
Key assumptions			
Weighted average cost of capital (WACC)	8.5%	8.5%	9.0%
Growth rate	1.8%	1.8%	1.8%

12. Property, plant and equipment

DKKm	Leases ROU equipment	Other equipment	Total equipment	Owner-occupied property (ROU)
2020				
Cost, beginning of the year	112	9	121	134
Remeasurement of lease liability	-52	-	-52	-
Additions	14	4	18	-
Disposals	-	-	-	-7
Cost, end of the year	74	13	87	127
Depreciation and impairment, beginning of the year	-27	-9	-36	-34
Depreciation and impairment	-22	-	- 22	-49
Depreciation and impairment, end of the year	-49	-9	-58	-83
Carrying amount, end of the year	**25**	**4**	**29**	**44**
Carrying amount, beginning of the year	**85**	**-**	**85**	**100**
2019				
Cost, beginning of the year	-	10	10	-
Recognition of leased assets (ROU)	109	-	109	14
Additions	4	-	4	124
Disposals	-1	-1	-2	-4
Cost, end of the year	112	9	121	134

DKKm	Leases ROU equipment	Other equipment	Total equipment	Owner-occupied property (ROU)
Depreciation and impairment, beginning of the year	-	-10	-10	-
Depreciation and impairment	-27	-	-27	-34
Depreciation on disposals	-	1	1	-
Depreciation and impairment, end of the year	-27	-9	-36	-34
Carrying amount, end of the year	**85**	-	**85**	**100**
Carrying amount, beginning of the year	-	-	-	
2018				
Cost, beginning of the year	-	11	11	-
Additions	-	-	-	-
Disposals	-	-1	-1	-
Cost, end of the year	-	10	10	-
Depreciation and impairment, beginning of the year	-	-8	-8	-
Depreciation and impairment	-	-3	-3	-
Depreciation on disposals	-	1	1	-
Depreciation and impairment, end of the year	**-**	**-10**	**-10**	**-**
Carrying amount, end of the year	**-**	**-**	**-**	**-**
Carrying amount, beginning of the year	**-**	**3**	**3**	**-**
Depreciation on a straight-line basis over a period of	1-3 years	4-10 years		1-6 years

Depreciation expenses of DKK 71 million (2019: DKK 61 million, 2018: DKK 3 million) have been recognised in insurance operating costs.

Codan Denmark leases equipment including IT equipment, servers and mainframes to operate its business. These leases were classified as operating leases under IAS 17 in the year ended 31 December 2018. The lease terms range from 0 to 6 years. The monthly amounts are fixed and there are no options for purchase or extension.

Short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets are recognised immediately in the Combined Carve-Out Statement of Profit or Loss:

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Expenses relating to short-term leases	**-**	**7**	**-**
Expenses relating to lease of low value assets	**6**	**7**	**-**

13. Financial assets and liabilities

DKKm	Year Ended 31 December 2020	2019	2018
Financial assets			
Financial assets at fair value with value adjustments in profit or loss	11,271	11,476	11,555
Derivative financial instruments at fair value with value adjustments in profit or loss	1	10	2
Receivables measured at amortised cost	4,060	3,861	3,495
Total financial assets	**15,332**	**15,347**	**15,052**
Financial liabilities			
Debt to credit institutions at amortised cost	600	-	470
Other payables at amortised cost	1,331	2,339	2,014
Total financial liabilities	**1,931**	**2,339**	**2,484**

Fair value hierarchy

Fair value for all assets and liabilities which are either measured or disclosed is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For level 1 and level 2 investments, Codan Denmark uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded Codan Denmark determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date taking into account the frequency and volume of trading of the individual investment together with the spread of prices that are quoted at the reporting date for such trades.

Typically, investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In certain circumstances, Codan Denmark does not receive pricing information from an external provider for its financial investments. In such circumstances Codan Denmark calculates fair value which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Valuations that require the significant use of unobservable data are classified as level 3 valuations and inputs are generally determined via reference to observable inputs, historical observations or using other analytical techniques. In addition, the valuations used for investment properties and for group occupied properties are classified in the level 3 category.

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

DKKm	**Quoted prices (Level 1)**	**Observable inputs (Level 2)**	**Unobservable inputs (Level 3)**	**Total**
2020				
Equity investments	211	-	56	267
Units in open-ended funds	1	-	615	616
Bonds	288	9,796	-	10,084
Other loans	-	-	304	304
Derivative financial instruments	-	1	-	1
Assets measured at fair value	**500**	**9,797**	**975**	**11,272**
2019				
Equity investments	260	-	4	264
Units in open-ended funds	1	-	518	519
Bonds	5,856	4,720	-	10,576
Other loans	-	-	117	117
Derivative financial instruments	-	10	-	10

DKKm	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Assets measured at fair value	**6,117**	**4,730**	**639**	**11,486**
2018				
Equity investments	229	-	3	232
Units in open-ended funds	0	-	619	619
Bonds	6,376	4,325	-	10,701
Other loans	-	-	3	3
Derivative financial instruments	-	2	-	2
Assets measured at fair value	**6,605**	**4,327**	**625**	**11,557**

DKKm	Credit Investments	Equity Investments	Total
Development in level 3 financial instruments			
2020			
Opening balance	635	4	639
Total gains or losses for the period	-9	19	10
Purchases	356	33	389
Sales	-63	-	-63
Closing balance	**919**	**56**	**975**
2019			
Opening balance	622	3	625
Currency translation adjustments	-	-	-
Total gains or losses for the period	-5	1	-4
Purchases	214	-	214
Sales	-196	-	-196
Closing balance	**635**	**4**	**639**
2018			
Opening balance	539	3	542
Currency translation adjustments	-	-	-
Total gains or losses for the period	2	-	2
Purchases	392	-	392
Sales	-311	-	-311
Closing balance	**622**	**3**	**625**

14. Current tax

DKKm	Year Ended 31 December 2020	2019	2018
Current tax assets and liabilities, beginning of the year	51	44	40
Exchange rate adjustments	0	0	-1
Current tax for the year	-73	-12	-42
Adjustment of current tax relating to previous years	-3	-2	32
Corporation tax paid during the year	1	21	15
Current tax assets and liabilities, end of the year	**-24**	**51**	**44**
Current tax assets and liabilities are included as follows:			
Current tax assets	9	72	55
Current tax liabilities	-33	-21	-11
Current tax assets and liabilities	**-24**	**51**	**44**

15. Premium provisions

DKKm	Year Ended 31 December 2020	2019	2018
Opening premium provisions	**889**	**1,018**	**1,208**
Value adjustments	-12	12	-3
Change in profit margin and risk margin	-187	74	131
Written premium	5,527	5,671	5,816
Earned premium	-5,450	-5,886	-6,134
Closing premium provision	**767**	**889**	**1,018**

16. Claims provisions

DKKm	Gross	Ceded	Net
2020			
Claims provision at 1 January	**9,093**	**-503**	**8,590**
Value adjustment of provision, beginning of year	28	8	36
Paid in the financial year in respect of current years	-1,565	57	-1,508
Paid in the financial year in respect of prior years	-2,267	231	-2,036
Change in claims in the financial years, current years	4,335	-316	4,019
Change in claims in the financial years, prior years	-632	-93	-725
Change in risk margin, current year	-158	0	-158
Change in risk margin, prior year	175	0	175
Discounting and exchange rate adjustment	61	5	66
Claims provision at 31 December	**9,070**	**-611**	**8,459**
2019			
Claims provision at 1 January	**8,502**	**-375**	**8,127**
Value adjustment of provision, beginning of year	76	-4	72

DKKm	Gross	Ceded	Net
Paid in the financial year in respect of current years	-2,022	67	-1,955
Paid in the financial year in respect of prior years	-2,210	136	-2,074
Change in claims in the financial years, current years	4,912	-322	4,590
Change in claims in the financial years, prior years	-221	-5	-226
Change in risk margin, current year	-167	0	-167
Change in risk margin, prior year	81	0	81
Discounting and exchange rate adjustment	142	0	142
Claims provision at 31 December	**9,093**	**-503**	**8,590**
2018			
Claims provision at 1 January	**7,810**	**-283**	**7,527**
Value adjustment of provision, beginning of year	49	-28	21
Paid in the financial year in respect of current years	-1,984	94	-1,890
Paid in the financial year in respect of prior years	-1,870	61	-1,809
Change in claims in the financial years, current years	4,858	-311	4,547
Change in claims in the financial years, prior years	-387	94	-293
Change in risk margin, current year	-155	0	-155
Change in risk margin, prior year	135	0	135
Discounting and exchange rate adjustment	46	-2	44
Claims provision at 31 December	**8,502**	**-375**	**8,127**

17. Deferred tax

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Deferred tax assets and liabilities			
Deferred tax assets, beginning of the year	-64	-100	-104
Exchange rate adjustments	-	-	-
Change relating to intangible assets	16	15	12
Change relating to property, plant and equipment	26	-42	-3
Change relating to investments	-	-	-
Change relating to other receivables and assets	-168	-137	0
Change relating to contingency funds	-307	-307	-307
Change relating to technical provisions	163	5	-7
Change relating to liabilities and payables	-52	188	-8
Change relating to tax losses	-7	21	-
Deferred tax assets and liabilities, end of the year	**-393**	**-357**	**-417**
Deferred tax for the year recognised in the income statement	**-28**	**38**	**11**

DKKm	Year Ended 31 December 2020	2019	2018
Total deferred tax for the year	**-28**	**38**	**11**
Specification of deferred tax asset and liabilities at the end of the year:			
Intangible assets	-93	-108	-124
Property, plant and equipment	-10	-36	5
Investments	-	-	-
Other receivables and assets	- 305	-137	0
Contingency funds	-307	-307	-307
Technical provisions	155		-9
Liabilities and payables	153	205	17
Net tax losses carried forward	14	21	-
Deferred tax assets and liabilities, end of the year	**-393**	**-357**	**-417**
Deferred tax assets and liabilities are included as follows:			
Deferred tax assets	-	-	-
Deferred tax liabilities	-393	-357	-417
Deferred tax assets and liabilities	**-393**	**-357**	**-417**

18. Other provisions

DKKm	Year Ended 31 December 2020	2019	2018
Other provisions, beginning of the year	17	61	183
Used during the year	-15	-32	-47
Reversal of unused provisions	- 2	-23	-134
Provisions made during the year	54	11	59
Other provisions	**54**	**17**	**61**
Other provisions consists of:			
Other provisions	1	6	14
Reorganisation	32	2	33
Environmental duties	10	9	11
Dilapidation provision	11	-	3
Other provisions	**54**	**17**	**61**

19. Liabilities arising from financing activities

Debt to credit institutions relates to borrowings under repurchase agreements of DKK 600 million (2019: 0 million, 2018: DKK 470 million):

DKKm	Debt to credit institutions	Debt to related parties	Total
2020			
Carrying amount, beginning of the year	-	1,475	1,475
Proceeds	705	-	705
Repayment	-105	-915	-1,020
Carrying amount, end of the year	**600**	**560**	**1,160**
2019			
Carrying amount, beginning of the year	470	1,352	1,822
Proceeds	1,664	123	1,787
Repayment	-2,134	-	-2,134
Carrying amount, end of the year	-	**1,475**	**1,475**
2018			
Carrying amount, beginning of the year	250	1,945	2,195
Proceeds	3,551	-	3,551
Repayment	-3,331	-593	-3,924
Carrying amount, end of the year	**470**	**1,352**	**1,822**

20. Other liabilities

As an effect from change in accounting policies a lease liability of DKK 86 million (2019: 185 million) is recognised in other liabilities of DKK 1,931 million (2019: DKK 2,339 million, 2018: DKK 2,484 million). The maturity of the lease liabilities is specified below:

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Due in 1 year or less	57	59	-
Due in 1 – 5 years	28	125	-
Due more than 5 years	1	1	-
Total lease liabilities	**86**	**185**	**-**

21. Contractual obligations, collateral, and contingent liabilities

DKKm	Year Ended 31 December 2020	2019	2018
VAT ad liability in connection with purchase of intangible assets	2	4	5
VAT cases	27	30	29
Non-technical Recourse and Non-recourse Guarantee Commitments	14	9	23
Service agreements (IT and telephony)	29	27	47
Commitment future lease agreements	170	0	0
Operational lease non-IFRS 16	22	27	127
Guarantee in connection with the disposal of Group occupied property	2	2	2
Other contractual obligations	436	486	548
Total	**702**	**585**	**781**

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

Codan Forsikring A/S and Privatsikring A/S signed contracts with external companies for the purpose of selling insurance products.

Codan Forsikring A/S and Privatsikring A/S are jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or later.

Likewise, Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

Codan Forsikring A/S and Privatsikring A/S entered into agreements with other companies in the Codan Group on the sale of insurance products, investment management, reinsurance, provision of administrative services, etc.

22. Contingency funds

Included within total Net parent investment for the year ended 31 December 2020 are contingency fund provisions, net of tax of DKK 1,089 million (2019: DKK 1,089 million; 2018: DKK 1,089 million).

23. Related parties

Information on related parties

The ultimate parent of Codan Denmark until 31 May 2021 was RSA Insurance Group plc, 20 Fenchurch Street, London, England, which owned 100% of RSA Scandinavia, with Codan A/S as the sub-holding company, through a wholly owned subsidiary. From 1st June 2021, the ultimate parent company of Codan Denmark, and Codan A/S, is Scandi JV Co A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S. Following the Demerger (targeted H1 2022) and until completion, the ultimate holding company of Codan Denmark will be Scandi JV Co 2 A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S.

Related party transactions

During the financial years ended 31 December 2020, 2019 and 2018, net dividends/transfers to/from RSA amounts to DKK -500 million in 2020, DKK 142 million in 2019 and DKK -400 million in 2018.

As of 31 December 2020, Codan Denmark had a loan to Codan A/S of DKK 500 million (2019: DKK 1,000 million, 2018: DKK 1,000 million) repayable in 2023. Loan repayments of DKK 500 million were made in 2020 (2019: DKK 0, 2018: DKK 0). The loan was obtained on an arm's length basis. The interest rate for the loan was the 12 month CIBOR plus a margin of 0.6% p.a. in 2020 (2019: 0.3% p.a, 2018: 0.3% p.a.). The interest income amounted to DKK 6.9 million in 2020, (2019: DKK 3.1 million, 2018: DKK 3.4 million) and was accrued on a monthly basis and settled on a yearly basis.

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

Codan Denmark entered into reinsurance agreements with companies in the RSA Group on an arm's length basis. Included in this is a 100% quote sharing programme on the Marine Hull portfolio with RSA & Sun Alliance Insurance plc. The program covers all policies, new or renewed, issued during the contract period and has been closed on a cost plus basis.

As of 31 December 2020, receivables from related parties were DKK 2,229 million (2019: DKK 2,325 million, 2018: DKK 1,979 million) which primarily relate to branch capitalisations and other transactions entered into with RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

As of 31 December 2020, other payables to related parties were DKK 560 million (2019: DKK 1,475 million, 2018: DKK 1,352 million) which relate to transactions entered into with other RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

Board of directors, board of management and employees

Codan Denmark related parties furthermore include the members of the board of directors and the board of management of Codan Forsikring, as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the board of directors and the board of management, executives, major shareholders or other related parties.

Remuneration of the Board of directors, Board of management, and Material Risk-takers is allocated between Codan Forsikring and the parent company Codan A/S. The specification below contain the total remuneration.

	Year Ended 31 December		
DKKm	**2020**	**2019**	**2018**
Remuneration of the Board of Directors	**2.3**	**2.5**	**2.5**
Remuneration of the Board of Management			
Wages and salaries	7.9	7.4	7.8
Bonuses	2.7	0.7	0.6
Pension benefits	0.2	1.2	1.7
Long term incentive plan	-	1.7	1.4
Redundancy benefits	-	6.5	-
Remuneration of Board of Management	10.8	17.6	11.5
Number of employees in the Board of Management	2	2	2
Remuneration of the Risk Takers			
Wages and salaries	71.3	81.9	75.7
Pension benefits	9.8	11.9	11.2
Remuneration of Risk Takers	81.1	93.8	86.9
Number of Risk-takers	60	55	46

24. Financial highlights

	Year Ended 31 December		
DKKm			
	2020	**2019**	**2018**
Gross premium income	**5,375**	**5,801**	**6,030**
Gross claims	-3,703	-4,691	-4,470
Total insurance operating costs	-1,113	-1,144	-1,132
Profit/loss on gross business	**559**	**-34**	**428**
Profit/loss on ceded business	35	-217	-343
Technical result	**594**	**-251**	**85**
Investment return after insurance technical interest	-37	95	92
Other costs	-3	0	0
Profit/loss before tax	**554**	**-156**	**177**
Tax	-85	37	-18

DKKm	Year Ended 31 December		
	2020	**2019**	**2018**
Profit/loss	**469**	**-119**	**159**
Run-off gains/losses, net of reinsurance	550	168	159
Statement of financial position			
Total provisions for insurance contracts	11,227	11,203	10,724
Total reinsurers' share of provisions for insurance contracts	725	479	401
Net parent investment	3,451	3,714	3,375
Total assets	17,125	17,673	17,118
Key ratios			
Gross claims ratio	68.9%	80.9%	74.1%
Net reinsurance ratio	-0.7%	3.7%	5.7%
Claims experience	68.2%	84.6%	79.8%
Gross expense ratio	20.7%	19.7%	18.8%
Combined ratio	**88.9%**	**104.3%**	**98.6%**