



CODAN FORSIKRING A/S
ANNUAL REPORT 2013

Company Reg. No. 10 52 96 38

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General information

**Board of Directors and
Board of Management**

Board of Directors:

Lars Nørby Johansen, Chairman
Anthony Latham, Deputy Chairman
Richard Houghton
Jørgen Koch *
Jørgen Lykke *
Marianne Philip
Christian Sletten *
Derek Walsh
David Weymouth

*) Elected by employees

Board of Management:

Vibeke Krag

Auditors

Auditors elected by the general meeting:

KPMG, Statsautoriseret Revisionspartnerselskab

Ownership

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

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Management's review

Financial review

The company's Business model

Codan Forsikring A/S ('Codan Forsikring') is a part of the Codan Group, the third largest non-life insurance provider in Scandinavia with Codan Forsikring in Denmark and Trygg-Hansa Försäkringsaktiebolag in Sweden as the main operating entities. We work closely together with Trygg-Hansa and share certain resources, services, knowledge and best practice within all parts of the insurance business to ensure an optimal and efficient administration. We conduct a non-life insurance business in Norway through our Norwegian branch and in Estonia via our Estonian branch, and compete with other mid-size non-life general insurance companies in this market. We have a considerable marine business and our branch offices in Sweden and Finland are mainly focused on this. The Codan Group is owned by RSA Insurance Group plc, one of the world's leading insurance groups with the benefits that naturally follow.

Annual report for 2013

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

The financial statements for 2013 have been audited and prepared in accordance with the Danish Financial Business Act (*Lov om finansiel virksomhed*), including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (*Bekendtgørelse om finansielle rapporter for forsikringselskaber og tværgående pensionskasser*). The accounting policies are described in Note 1 to the annual report.

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

Major events in 2013

Storms

In October and December Denmark was hit by two storms. The storms caused over 18,000 insurance claims within a short period of time. The claims department was ready, alert texts had been sent to customers subscribing and all service level targets to our customers were met or exceeded. The storms had a negative impact at Codan Forsikring's profit before tax of approximately DKK 200 million after reinsurance cover.

Loans to Group entities

The loan of DKK 1 billion from Codan Forsikring to the parent company was in January 2013 replaced by a loan of DKK 1 billion to Codan Ejendomme II A/S.

Dividend for 2012

In the first half of 2013, Codan Forsikring paid DKK 650 million in dividends to its parent company Codan A/S.

Quota share reinsurance programme

As part of its overall international capital and finance management strategy, RSA Insurance group has established a reinsurance company RSA Reinsurance Ireland Ltd. Since 1 July 2010, Codan Forsikring has ceded 25% for 2010, 35% for 2011 and 25% in 2012 and 2013 in a quota share reinsurance agreement.

The agreement is in addition to Codan Forsikring's reinsurance programme within the framework and limits set out by the Board of Directors. The programme for 2012 covers 25% of net earned premiums regarding Danish and marine policies for 2013. Reinsurance with RSA Reinsurance Ireland Ltd is purchased at market price. The quota share agreement has not been renewed for 2014.

Management's review

Profit for the year and development of the company

The profit for Codan Forsikring for 2013 was DKK 199 million against a profit of DKK 730 million for 2012. Profit for the year breaks down as follows (all amounts in DKK million):

	2013	2012
Balance on the technical account before run-off	-203	-85
Run-off gain	573	545
Balance on the technical account	370	460
Investment result	-138	493
Other income and expenses	-1	0
Tax	-32	-223
Profit for the year	199	730

The profit for the year is lower than expected, although considered satisfactory given the macroeconomic conditions impacting the conservative investment portfolio, the company's actions to improve underlying profitability and the two storms in Denmark in October and December. The profit is affected by a small decline in business volume, an increase in claims incurred due to the two storms and strong impacts from the increasing interest rates in the financial markets. The costs of simplifying and modernizing the way we operate have led to a slightly increasing expense ratio. The company's combined ratio is 95.3, which is in line with the expected combined ratio of around 95.

Based on the profit for the year and the payment of dividend for 2012 of DKK 650 million the company's equity decreased from DKK 5,177 million against DKK 4,888 million at 31 December 2013.

General insurance

Earned premiums

During 2013 Codan Forsikring has taken actions to restore profitability to the business, which also meant a small decline in the top line. Gross earned premiums (gross premiums written less change in provision for unearned premiums) decreased by approx. 1.1% from DKK 7,906 million in 2012 to DKK 7,821 million 2013. Strong growth in the Norwegian and Estonian branches has been netted by a targeted reduction in the Danish part of the business. The commercial segment has seen an overall increase in gross earned premium of 1.8%. Products within technical lines, global insurances and health insurances have contributed to the increase, while the motor and marine portfolio decreased, primarily due to the loss of a few large customers and changes in exposure. Within the personal segment declining premiums on the motor portfolio resulted in gross earned premium decreasing by 5.7%.

The branches in Norway and Estonia continue to deliver strong growth with growth in gross earned premiums at 6% and 34% respectively. In Norway the growth was driven by the house and content portfolio, with a strong volume from our distribution network, and care that increased by 33%.

Overall earned premiums, net of reinsurance, rose by DKK 73 million to DKK 6,013 million, an increase of approx. 1.2%. Premiums ceded to reinsurers (including change in the provision for unearned premiums, reinsurers' share) in connection with reinsurance to RSA Reinsurance Ireland amounted to DKK 1,357 million against DKK 1,394 million in 2012. Adjusted for this earned premiums, net of reinsurance, increased by 0.5%.

Claims incurred

Gross claims incurred amounted to DKK 5,553 million in 2013 against DKK 5,316 million in 2012, corresponding to an increase of DKK 237 million, or 4.5%. The continued focus on profitability in individual portfolios is not directly visible, as the impacts from the two storms in Denmark (approx. DKK 363 million) and an increased number of large losses blur the picture.

Claims incurred were also impacted by run-off gains of DKK 573 million against DKK 545 million in 2012. Within the personal segment a decrease in claims incurred of 15.4% underlined the strong profitability in particularly house and contents and accident insurances. For the commercial segment the storms and several large losses affected claims incurred negatively in the property and liabilities lines.

The gross claims ratio was 71.7% in 2013 as compared with 68.1% in 2012.

Management's review

The run-off gain in 2013 on prior years stems mainly from the following lines of business Direct Hull, Personal Accident and Technical Lines. Direct Hull was hit by several large claims in 2012 and during 2013 we saw a favourable adjustment on several of these resulting in a total run-off gain of almost DKK 100 million at year end. Personal Accident showed run-off gains for most prior accident years during 2013, and the actuarial reserving models has subsequently been adjusted to reflect the improved performance of the personal accident portfolio. For Technical Lines a large part of the observed gain can be explained by a review of the IBNER level on large claims resulting in positive run off approximately DKK 100 million mostly relating to accident years 2010-2013.

Technical interest

The technical interest for 2013 DKK 9 million compared to DKK 12 million for 2012. The decrease in transferred technical interest follows primarily from a decrease in the interest rate on which the calculation of the technical interest is based. Interest rates are published by the Danish Financial Supervisory Authority, and the interest rate was 0.28% in 2013 as compared with 0.41% in 2012.

Operating expenses

The gross expense ratio was 22.7% in 2013 as compared with 22.4% in 2012. Simplifying and modernizing the way we operate is all about us offering the best possible products and services to our customers in the most efficient way. Throughout the year we have worked intensively with building a solid foundation for the future. The increase in the expense ratio is a result of increased IT costs, including amortisation and impairment of development costs and costs for the implementation of Solvency II.

Profit/loss from reinsurance

Reinsurance before technical interest generated a loss of DKK 69 million in 2013 against a loss of DKK 292 million in 2012. The company's ceded premiums have decreased as a result of the lower top line, while reinsurers' share of the technical provisions was increased and reflects the two storms and incurred large losses.

The reinsurance agreement concluded by Codan with RSA Reinsurance Ireland had a negative effect on the result of DKK 87 million.

Balance on the technical account

Despite the adverse weather conditions and the dedicated actions to change exposure in the top line, the balance on the technical account is positive with DKK 370 million in 2013 against a positive balance of DKK 460 million in 2012. The decline reflects the company's continued efforts to work with profitability in individual portfolios, and at the same time investing in simplifying and modernizing the way we work. The balance on the technical account before run-off changed from DKK -85 million in 2012 to DKK -203 million in 2013.

Investments

The company's investments are made in subsidiaries and other financial assets. The total investment return was DKK -138 million for 2013 against DKK 493 million for 2012. The investment return before technical interest amounted to DKK -58 million against DKK 598 million in 2012, equal to a decrease of DKK 656 million.

The investment return for 2013 was affected by raising interest rates, which resulted in capital loss of DKK 587 million on bonds, but also capital gain of DKK 75 million in connection with the change in the discount rate used to discount the company's provisions for outstanding claims.

During 2013, the 5Y swap rate and the 5Y Danish government rate increase with 60 bp and 71 bp respectively.

The raising market rates had a negative impact on Codan Forsikring's bond portfolio, and a total loss of DKK 587 million was generated. The loss comprises a foreign exchange loss of DKK 234 million, which is mainly attributable to Norwegian bonds which are used to cover the insurance liabilities in the Norwegian branch.

Although the share of more risky investments increased in 2013, Codan Forsikring seeks to minimise interest rate risk between assets and technical reserves by adopting a conservative investment strategy. The shares of government or government secured and mortgage bonds are therefore still relatively high and account for approx. 33% and 47%, respectively, of the total investment portfolio.

Management's review

At the end of 2013, the company's investment portfolio consisted of the following assets (all amounts in DKK million):

	<u>2013</u>	<u>2012</u>
Investments in Group entities	1,426	1,368
Equity investments and units in open-ended funds	97	63
Bonds	11,983	13,465
Other loans	410	104
Cash and cash equivalents	807	330
	<u>14,723</u>	<u>15,330</u>

Investments in Group entities

The profits generated by subsidiaries are as follows: Forsikringsselskabet Privatsikring generated a profit of DKK 57 million (a profit of DKK 77 million for 2012), and Besigtelses Kontoret af 1914 A/S generated DKK 1 million (a profit of DKK 0 million in 2012).

Forsikringsselskabet Privatsikring A/S

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

Forsikringsselskabet Privatsikring generated a profit of DKK 57 million for 2013 against a profit of DKK 77 million for 2012. The profit comprises a balance on the technical account of DKK 80 million (DKK 76 million in 2012), an investment result of DKK -4 million (DKK 27 million in 2012) and tax expenses of DKK 19 million (tax expenses of DKK 26 million in 2012).

Gross premiums written for Forsikringsselskabet Privatsikring increased from DKK 570 million in 2012 to DKK 599 million in 2013. Premiums have increased for all products, with the exception of Motor Third Party Liability. The Company's work with re-establishing profitability in the individual product lines has paid off and the balance on the technical account before run-off has increased from DKK 15 million in 2012 to DKK 27 million in 2013. The company also had a positive claims run-off regarding previous years, primarily attributable to fire and contents, motor and personal accident.

Equity investments and units in open-ended funds

The company continued to have a low exposure to shares. At the end of the year, the company has investments in a loan fund in which the underlying assets are made up of loans in European commercial property companies. The company's equity investments and units in open-ended funds amounted to DKK 97 million at 31 December 2013, equal to 0.7% (0.4% in 2012) of the total investment portfolio.

The company's equity investments and units in open-ended funds generated a positive return of DKK 8 million in 2013 (a positive return of DKK 13 million in 2012).

Bonds

In the course of the year, the duration of the technical reserves decreased, which resulted in a certain rebalancing of the bond portfolio with a view to reducing the duration. However, the low interest rate levels have made it difficult to achieve returns on investments in short-term bonds.

At 31 December 2013, bonds totalled DKK 11,983 million or 81% (88% in 2012) of the company's total investment portfolio and had a duration of approx. 3.7 years. Of the total investment portfolio, Danish government bonds account for approx. 28%, Danish mortgage bonds for approx. 47%, Norwegian government bonds for approx. 7%, Norwegian mortgage bonds for approx. 3%, EUR-denominated government bonds for approx. 2% and European mortgage bonds for approx. 7%. A total of approx. 84% of the bond portfolio is invested in AAA-rated bonds. The investments in Norwegian bonds are used to hedge the Norwegian business in Codan Forsikring.

The total return on the bond portfolio was a loss of DKK 167 million (DKK 712 million in 2012), equal to approx. -1.27% (5.5% in 2012), which is considered satisfactory having the market conditions during 2013 in mind. Foreign bonds yielded a return of DKK -198 million, or -6.61% (11.1% in 2012).

Management's review

Balance sheet

Total assets for Codan Forsikring decreased by DKK 550 million from DKK 20,702 million in 2012 to DKK 20,152 million in 2013. A substantial part of this decrease derives from other financial assets, which decreased by DKK 1,137 million. Cash and cash equivalents increased by DKK 477 million, which can primarily be ascribed to increased fixed-term deposits with less than three months to maturity.

Business initiatives

Key strategies

Codan Forsikring is a part of the Codan Group, which undertakes business in Scandinavia. The Codan Group will look to protect the current leadership positions in areas such as Motor, Personal Accident and Renewable Energy, while improving profitability. The Group also plans to fully capitalise on the opportunities in Specialty and with global brokers that arise from being the only scale player in the region with a global presence. Reflecting this, the strategic priorities set by the management team include:

- Increase growth in each of our businesses and improve profitability. We aim to grow profitably in our target core segments, to increase our business with key brokers and to strengthen our position within focus areas such as Care, Bancassurance and key target segments in Commercial Lines
- Improve the customer experience. We aim to define clearer service promises for our customers and to deliver them more consistently every time. An important element of this is working with measures like customer satisfaction scores and NPS (Net Promoter Score). This will enable us to retain our existing customers and improve our customer proposition to target new ones.
- Improve operational efficiency with the right systems and processes. This will take place through an updated policy administration system and online capabilities that will make it easier for customers to do business with us.
- Invest in our staff. We already offer excellent leadership and technical training to our staff, and we have market-leading employee engagement.

Market conditions

Throughout 2013, trading conditions continued to be challenging in Denmark; however, the Danish insurance market remains stable and attractive. The market has announced that it will focus on profitability and cost reduction, and Codan Forsikring has the same focus.

Customers

Codan Forsikring continues to work on embedding our Think!Customer strategy and a customer mindset in all parts of the business. A key focus area in the Codan Group strategy is to understand customer needs and requirements and adapt our service and propositions to meet the expectations. We have rewritten a multitude of customer letters, our online sales flow has been improved, and the phone systems in our call centres have been updated to improve our customers' experience. Another example of our customer focus is the alignment of the CSR agenda with claims prevention activities where we have implemented initiatives like free text message alerts about extreme weather and strategic partnerships on burglar alarms and sewer contractors. Positive results are coming through in our customer dashboards showing better results and improved retention rates.

Variable remuneration

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

Management's review

Audit and Risk Committee

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

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

The tasks of the Committee are set out in the Terms of Reference based on Executive Order no. 1393 of 19 December 2011 on Audit Committees in Undertakings and Groups Subject to Supervision by the Danish Financial Supervisory Authority (*Bekendtgørelse om revisionsudvalg i virksomheder samt koncerner, der er underlagt tilsyn af Finanstilsynet*). The tasks of the Committee include monitoring of both the financial reporting process, including calculation of the individual solvency requirements, and the company's internal control system and risk management systems. The Committee also monitors the statutory audit of the financial statements, which includes controlling the auditors' independence and the effectiveness of the internal audit function.

The work of the Audit and Risk Committee is based on supervision of historical events and does therefore not include future events, expectations or forecasts.

In 2013, the Audit and Risk Committee held four meetings in connection with the quarterly reporting to the company's Board of Directors and the Danish Financial Supervisory Authority.

Events subsequent to 31 December 2013

Acquired property

As a part of its ordinary business, Codan Forsikring has acquired a property in January 2014. The purchase price is DKK 301 million. The property has subsequently been taken over and is recorded as assets held for sale.

Dividend for 2013

The Board of Directors proposes a dividend payment of DKK 300 million. The proposed dividend will be considered by the annual general meeting on 29 April 2014. The dividend proposal is based on the rules on solvency, traffic light scenarios and registered assets as set out in the legislation governing insurance companies. The company's solvency ratio after the proposed dividend is 2.74, and traffic light calculations still show a green light scenario. The requirement for registered assets has been met with a good margin and with assets with a low financial risk.

Based on its financial position, the company is expected to meet its obligations, both in the short and in the long term. The Board of Directors finds that the company's equity is sufficient seen in relation to the size and risks of the company.

Sale of renewal rights for Agriculture customers

With effect from April 1 Codan have sold renewal rights of approximately 1600 Danish agriculture customers to Tryg, to ensure focus on prioritised segments in our strategy.

Sale of the branch in Estonia

During April 2014 the Codan Group has signed an agreement for the sale of the company's Estonian branch. The sale forms part of the RSA Group's strategy to focus on core operations. The branch was sold together with RSA's two subsidiaries in Latvia and Lithuania. The sale is expected to close before year-end 2014. The Estonian branch is included in the financial statements of Codan Forsikring with gross earned premiums of DKK 221 million, profit after tax of DKK - 11 million and total assets of DKK 98 million.

No other events of material importance to the company's financial position or business affairs have occurred subsequent to 31 December 2013.

Management's review

Outlook for 2014

2014 is expected to be characterised by unchanged macroeconomic conditions relative to 2013, with expectations of low GDP growth. Public and private spending is expected to be affected by this, just as trade and exports are expected to remain stable.

Claims incurred, before run-off are expected to improve in 2014, primarily because of continued focus on profitability of individual products. The expense ratio is expected to be slightly lower than in 2013 as a result of the implementation of a number of efficiency improvement projects. The company is making major investments in development projects, and targeted efforts are concurrently being made to implement the corporate strategy. In addition to this, the performance depends on developments in personal injury claims, weather-related claims and large claims as well as the trend in Danish interest rates.

Codan Forsikring expects a combined ratio around 95% in 2014.

Codan Forsikring does not consider it appropriate to make any statements as to the expected developments in the interest rate and stock markets or the expected value adjustments for 2014.

Management's review

Employees and the company's community involvement

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

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

Corporate responsibility efforts

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

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

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

In 2013, Codan won the 'CSR Strategy Prize' at the CSR Awards in Denmark. In awarding the prize, the jury stated that Codan has managed to integrate CSR work in the company, thus creating value for society, customers and the Group's own business. Codan's CSR work is centred on the three themes: climate, safety and health.

Climate

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

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

In the long term, Codan would also like to contribute to reversing the negative climate trend. The Group therefore has a partnership agreement with WWF in Denmark and Sweden, which involves sponsorship of the annual Earth Hour campaign, among other things. In addition, Codan supports RSA's efforts to reduce CO₂ emissions per employee by 20% by the end of 2018.

Safety

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

In Denmark, Sweden and Norway, the Group focused in 2013 on the importance of being visible in traffic, for example by having 400 voluntary employees handing out 175,000 free reflectors.

Moreover, in Sweden, the Group has about 80,000 lifebuoys at harbours and beaches. The Group is also SkiStar's safety partner in Åre and Sälen and provides advice on piste safety.

Management's review

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

Health

Illness and long-term sick leave have unpredictable consequences for individuals, companies and the healthcare sector. Through Codan's health insurance products, the Group tries to help both personal and commercial customers recover from their illness in the best possible way.

The best illnesses are those that do not occur at all. As a result, several of the Group's health insurance products include preventive treatment. In Denmark, Codan offers a Stay Healthy concept as an additional cover for health insurance. Under this cover, it is possible to get regular health checks as well as psychological, legal or social counselling in particularly stressful situations.

We also have a unique rehabilitation programme in both Denmark and Sweden, which helps ensure that customers get on with their lives after serious accidents. The programme includes, among other things, psychological counselling as well as career and training counselling.

The Group makes huge efforts in Denmark, Sweden and Norway to safeguard employee health, for example by organising an annual health week. Since health was put on the agenda in 2008, the number of sick days has gone down, while employee engagement has gone up. In addition, Codan ranked in the top 3 in the competition to be Denmark's Healthiest Company 2013.

Focus on capabilities and engagement

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

Through 2013 we have had a particular focus on increasing leadership skills. We have delivered the "Leading Change" programme to improve our leaders' ability to lead the people side of change in our business. We have also delivered a new introduction programme for new leaders to ensure that our new leaders get a strong basic foundation as leaders in our business. For employees we have offered development opportunities that have focused on increasing general business skills such as presentation skills, influencing skills and basic project management skills.

The company has a strong focus on employee commitment, which is measured yearly in a commitment survey. Based on the results of this, focused activities are defined, and the company takes active steps to increase employee commitment. The "Unlocking your full potential" programme for leaders and employees has been integrated into the company culture and provides a variety of tools and techniques for working with development and the company culture throughout the organisation.

Focus on more women in management

Codan focuses heavily on women in management positions. Our aim is to increase the share of female managers on all levels of the organisation. Our specific target is to increase the share of women on our Board of Directors, excluding employee representatives, for Codan A/S and Codan Forsikring A/S from 20% in 2012 to 33% in 2017, while the corresponding target for Forsikringsselskabet Privatsikring is from 25% in 2012 to 40% in 2017. We have also set up a target and policy for the share of women on other management levels – from 35% in 2012 to 40% in 2020. In addition, Codan has signed the Charter for More Women in Management (Denmark).

In 2013, Codan maintained its share of women on the Board of Directors at 20% in Codan A/S and Codan Forsikring A/S and 25% in Forsikringsselskabet Privatsikring, respectively. This is in accordance with the target for 2013. The share of women on other management levels in Codan Forsikring has increased from 35% in 2012 to 36% in 2013 and meets the target for 2013.

Management's review

The long-term aim for more women in management positions is to achieve a representation better reflecting the general distribution of women and men at Codan. Also, the efforts will contribute to our CSR objective of creating a sustainable future and provide equal opportunities for our employees and talent pool in society. As part of our global Diversity and Multiplicity Project in the RSA Group, we have introduced the following measures:

- Set up a Diversity and Multiplicity Steering Group and Team
- Set up targets for the share of women in management positions each year from 2012 to 2020 for Codan and the individual business units
- Drafted a Diversity and Multiplicity Scorecard containing specific targets for different focus areas and continuous follow-ups
- Supported International Women's Day and participation at events on women in management positions in 2013, among other things, at Børsen and in Copenhagen's Diversity Charter
- Set up supplier requirements for head hunters stipulating that at least 30% of all qualified candidates proposed for management positions must be women
- Continued our structured work with the female talent pool and ensured their representation in our successor plans
- Ensured 50% of female candidates in our talent programmes 2013-14 for both executive, senior and junior talents
- Started a Senior Female Sponsorship Programme in cooperation with the RSA Group with the objective of retaining and supporting our senior female talents
- Planned a new network programme for female talents on all levels at Codan in 2014-15
- Integrated Diversity and Multiplicity in our corporate values and expectations for both managers and employees
- Generally ensured that the equal treatment perspective for both men and women is incorporated into our HR and business processes, including pay adjustment, bonus, flexible working hours etc.

Management's review

Risk management

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

Risk management in Codan Forsikring

Codan Forsikring's overarching strategy and guidelines are set by the company's Board of Directors. The connection between strategic considerations regarding risk acceptance and day-to-day decisions on whether to enter into agreements with customers, partners and suppliers is strengthened through continuous assessment of the company's current risk profile. This is done through the Risk Management Forum, which is an advisory body to the management. The risk profile is reported on a continuous basis to the company's Board of Directors. For further information on risk management, see Note 2.

Codan Forsikring has implemented necessary and relevant measures and controls to optimise risk situations. The most significant risks for Codan Forsikring are outlined below:

Insurance risk

Codan Forsikring's insurance risks comprise:

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

Financial risk

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

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

Market risk

Interest rate risk

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

Equity risk

The value of the equity portfolio fluctuates in line with movements in the stock markets. Codan Forsikring has a limited exposure to equities as less than 1% of the investment assets are invested in equities.

Spread risk

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

Real estate risk

Codan Forsikring had no direct investments in properties in 2013.

Management's review

Currency risk

Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. Codan Forsikring has limited currency risk as the technical provisions are generally matched by investments in the same currency. In Codan Forsikring's financial statements, results and equity of foreign branches are translated into DKK. Consequently, significant changes in foreign exchange rates may affect Codan Forsikring's results and equity.

Inflation risk

Inflation risk is the risk that claims payments in future years will escalate given an increase in inflation due to indexation of claims cash flows. Codan Forsikring has an indirect exposure to inflation as technical provisions for workers' compensation insurance are linked to a wage index which is correlated with inflation.

Liquidity risk

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

Credit risk

Credit risk (default risk) is the risk of incurring a loss if a counterpart cannot meet its obligations. Codan Forsikring's investment portfolio consists primarily of AAA-rated Danish government and mortgage bonds, for which the credit risk is considered very low. More than 80% of the total investments consist of AAA-rated bonds. In addition, Codan Forsikring holds European corporate bonds with a credit rating of at least BBB. Codan Forsikring's counterparty-related credit risks are primarily tied to holdings of cash and deposits in banks and exposure on reinsurance counterparties.

Operational risks

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

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

Management's review

Capital structure

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

Codan Forsikring's capital base to cover the capital requirement amounted to DKK 3,207 million in 2013 against DKK 3,204 million in 2012. At the end of 2013, the Danish individual solvency requirement of Codan Forsikring was DKK 2,085 million against DKK 1,872 million at the end of 2012. During 2013 the capital model was updated to account for the new re-insurance covers and a number of updates in respect of the Economic Scenario Generator used for the economic variables.

New Danish Individual Solvency Rules

As of 1 January 2014 new regulation came into force for Insurance and Insurance Holding Companies. The Codan Group has chosen to take advantage of work done in preparing for Solvency II and have therefore implemented and updated existing internal rules, methods and procedures applicable under Danish rules to be compliant with the new regulation.

Solvency II

The Codan Group has since 2009, been working on a Solvency II project coordinated with the RSA Group.

Solvency II is a new set of EU rules, which is expected to come into force as of 1 January 2016. The new rules will among other things, entail that the capital requirements for insurers will be based on the risks in the business. The current capital requirements, Solvency I, are based on absolute figures for premiums and claims alone.

The Codan Group is keeping a close eye on the development of the Solvency II rules.

Management's review

Directorships and executive positions

Board of Directors

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

Board of Directors

Directorships and executive positions in other enterprises

Lars Nørby Johansen, Chairman	(Chairman): Københavns Lufthavne A/S, William Demant Holding A/S, Dansk Vækstkapital K/S, Falck A/S, Falck Holding A/S, Codan A/S, Fonden for Entreprenørskab – Young Enterprise, Falck Danmark A/S, Vagtcentralen af 9. Februar 1980 ApS, Dansk Vækstkapital Komplementar ApS. (Board of director): Arp- Hansen Hotel Group A/S, Index Award A/S, Fonden Oluf Høst Museet, Bornholms Mosteri A/S.
Anthony Latham, Deputy Chairman	Codan A/S (Deputy Chairman), Pool Reinsurance Ltd (Chairman), Ecclesiastical Insurance Group plc., Pool Reinsurance (Nuclear) Ltd (Chairman), Ecclesiastical Insurance Office plc.
Richard Houghton	Codan A/S, Trygg-Hansa Försäkrings AB, RSA Insurance Group plc., The Marine Insurance Company Ltd., Royal & Sun Alliance Reinsurance Ltd., Royal & Sun Alliance Insurance plc., Sun Insurance Office Ltd.
Jørgen Koch *	Codan A/S
Jørgen Lykke *	Codan A/S
Marianne Philip	(Chairman): A.J. Aamund A/S, Gerda Og Victor B. Strand Holding A/S, Holdingselskabet Af 17. August 2011 ApS, Movement A/S, Scan Office A/S, Scan Office Ejendomme ApS, Stiholt Holding A/S, U.D.Group A/S, Gerda Og Victor B. Strands Fond/Toms Gruppens Fond. (Board Of Director): Brenntag Nordic A/S, Codan A/S, Codan Forsikring A/S, Ferdinand Andersens Legat, Kapitalforeningen Nordea Invest, Hedgeforeningen Nordea Invest Portefølje (kapitalforening), Ingrid Zachariaes Fond, Investeringsforeningen Nordea Invest, Investeringsforeningen Nordea Invest Bolig, Investeringsforeningen Nordea Invest Engros, Investeringsforeningen Nordea Invest Kommune, Investeringsforeningen Nordea Invest Portefølje, Investeringsinstitutforeningen Nordea Invest. Investeringsinstitutforeningen Nordea Invest Portefølje (kapitalforening), Placeringsforeningen Nordea Invest, Novo Nordisk Fonden. (Liquidator) A Post Euro Express A/S, Bluestar Telecom ApS, BTB Mercoprint ApS, EKGH Invest ApS, Emborg & Bertelsen Ejendomsinvest ApS, Euroconsultants Af 2004 ApS, Frokostsnedkeriet Frokostbørsen ApS, Glostrup Bowling Center ApS, Goodpoison ApS, Handy-Clean Rengøring Smba, Hilal-Sema ApS, Hn Cleantech A/S, Ib Hansen, Rådgivende Ingeniør ApS, Imja ApS, Innovative Medico Products ApS, Isefjorden Holding ApS, Jardins D'osaka ApS, Jmo ApS, Kehling Vvs ApS, Kenneth Holding ApS, Kildedal Enterprise ApS, Komplementarselskabet Sb ApS, Københavnsvej 26, 2001 ApS, Mac Elle Holding ApS, Manskabsgruppen ApS, Mick Poulsen Holding ApS, N. Lundgaard Holding ApS, Nb Ejendomshandel ApS, Nora I ApS, Novi Corp. ApS, Pant Og Handelsbanken A/S, Pbh 25.366 ApS, Pit Service ApS, Prime Care ApS, Proconsul ApS, Quintin A/S, Rumko Holding ApS, SD 2002 ApS, Si 5 ApS, SI 6 ApS, SNH Ejendomme ApS, Sp Berlin Projekt Holding ApS, Sport & Musik ApS, Techno Vision Development A/S, Ticino Investment & Marketing Services ApS, Total Solution ApS, Zulueta ApS, Østerbrogade 110, 2002 ApS, Aab Projekt Holding ApS, Allriott Consulting Statsautoriseret Revisionsaktieselskab, Ejendomsselskabet Københavnsvej 14-16 ApS, Gourmetkaffe S.M.B.A., Komplementarselskabet Sb Boligudvikling ApS.

* Elected by employees

Management's review

Directorships and executive positions

Board of Directors (continued)

Christian Sletten *	Codan A/S
Derek Walsh	Codan A/S, Royal Insurance Holdings Plc. (Executive Officer)
David Weymouth	Codan A/S, Trygg-Hansa Försäkrings AB (Chairman), Financial Services Compensation Scheme Ltd (Executive Officer), Royal & Sun Alliance Insurance Plc, Royal & Sun Alliance Reinsurance Ltd, Sun Insurance Office Ltd, The Marine Insurance Company Ltd, Royal London Mutual Insurance Society Ltd.

* Elected by employees

Board of Management

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

Board of Management

Directorships and executive positions

Vibeke Krag	(Deputy Chairman): Codan Ejendomme II A/S, (Directorship in): Forsikringskademiet A/S, Besigtelseskotoret Af 1914 A/S, Forsikringsselskabet Privatsikring A/S, Codan A/S (Executive Officer)
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Statement by the management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of Codan Forsikring A/S for the financial year 1 January to 31 December 2013.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2013 and of its financial performance for the financial year 1 January to 31 December 2013. It is also our opinion that the Management's review gives a true and fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

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

Copenhagen, 22 April 2014

Board of Management

Vibeke Krag

Board of Directors

Lars Nørby Johansen
Chairman

Anthony Latham
Deputy Chairman

Richard Houghton

Jørgen Koch

Jørgen Lykke

Marianne Philip

Christian Sletten

Derek Walsh

David Weymouth

Independent auditors' report

To the shareholder of Codan Forsikring A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Codan Forsikring A/S for the financial year 1 January - 31 December 2013. The financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2013 and of the results of its operations for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Business Act.

Statement on the Management's review

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

Frederiksberg, 22 April 2014

KPMG

Statsautoriseret Revisionspartnerselskab

Jesper Dan Jespersen
State Authorised
Public Accountant

Anja Bjørnholt Lüthcke
State Authorised
Public Accountant

Income Statement

Note	DKK '000	2013	2012
General insurance			
4	Gross premiums written	7,593,637	8,056,449
	Premiums ceded to reinsurers	-1,397,697	-1,874,287
4	Change in the provision for unearned premiums	227,625	-150,322
	Change in the provision for unearned premiums, reinsurers' share	-410,318	-91,889
	Earned premiums, net of reinsurance	6,013,247	5,939,951
5	Technical interest	8,948	12,253
	Claims paid, gross	-5,354,226	-5,683,298
	Claims paid, reinsurers' share	969,140	1,142,143
	Change in the provision for claims	-198,696	367,173
	Change in the provision for claims, reinsurers' share	351,170	54,257
6	Claims incurred, net of reinsurance	-4,232,612	-4,119,725
	Bonuses and rebates	-77,094	-100,739
	Acquisition costs	-1,136,248	-1,197,121
	Administrative expenses	-624,595	-552,184
	Reinsurance commissions and profit participation	418,493	477,914
7	Net operating expenses	-1,342,350	-1,271,391
8	Balance on the technical account, general insurance	370,139	460,349
Investments			
	Income from Group entities	58,255	76,727
9	Interest income and dividends, etc.	513,400	488,822
10	Value adjustments	-555,054	110,328
	Interest expenses	-36,010	-41,203
	Investment management expenses	-38,950	-36,660
	Total investment return	-58,359	598,014
	Technical interest transferred to general insurance	-79,752	-105,403
	Total investment return after technical interest	-138,111	492,611
11	Other expenses	-872	-
	Profit before tax	231,156	952,960
12	Tax	-32,452	-222,847
	Profit for the year	198,704	730,113
Proposal for the distribution of profit:			
	Transferred to reserve for net revaluation according to the equity method	58,255	76,727
	Proposed dividend	300,000	650,000
	Transferred to retained earnings	-159,551	3,386
		198,704	730,113

Statement of comprehensive income

Note	DKK '000	2013	2012
Currency translation adjustment, foreign branches		147,507	-50,908
Currency translation adjustment in foreign branches		-	489
Tax on currency translation adjustment in foreign branches		-9,440	-
Intra-group contribution		34,238	47,093
Tax on intra-group contribution		-9,587	-12,385
Actuarial gains/losses on pension obligations		-14	-113
Tax on actuarial gains/losses on pension obligations		3	28
Other comprehensive income		162,707	-15,796
Profit for the year		198,704	730,113
Total comprehensive income		361,411	714,317

Balance sheet at 31 December

Note	DKK '000	2013	2012
Assets			
13	Intangible assets	951,788	917,131
	Equipment	21,708	33,385
14	Total property and equipment	21,708	33,385
15	Investments in Group entities	425,774	367,519
	Loans to Group entities	1,000,000	1,000,000
	Total investments in Group entities	1,425,774	1,367,519
	Equity investments	50,698	45,626
	Units in open-ended funds	46,687	17,475
	Bonds	11,982,821	13,464,604
	Other loans	409,640	104,292
	Other	5,361	-
	Total other financial assets	12,495,207	13,631,997
	Deposits with ceding undertakings	592	1,016
	Total investments	13,921,573	15,000,532
	Reinsurers' share of provision for unearned premiums	67,158	480,659
	Reinsurers' share of provision for claims	2,064,413	1,754,291
	Total reinsurers' share of insurance contract provisions	2,131,571	2,234,950
	Receivables from policyholders	1,320,160	1,391,496
	Receivables from brokers	69,881	67,546
	Total receivables arising from direct insurance contracts	1,390,041	1,459,042
	Receivables from insurance companies	116,843	140,891
	Receivables from Group entities	128,923	96,948
	Other receivables	326,961	100,838
	Total receivables	4,094,339	4,032,669
	Assets held for sale	478	262
16	Current tax assets	57,723	-
17	Deferred tax assets	72,313	119,513
	Cash and cash equivalents	806,805	329,557
	Total other assets	937,319	449,332
18	Accrued interest and rent	190,307	208,531
	Other prepayments	35,297	60,555
	Total prepayments and accrued income	225,604	269,086
	Total assets	20,152,331	20,702,135

Balance sheet at 31 December

Note	DKK '000	2013	2012
Equity and liabilities			
19	Share capital	15,000	15,000
20	Contingency funds	1,395,059	1,395,059
	Reserve for net revaluation according to the equity method	324,977	266,722
	Translation reserve	52,792	-95,802
	Equalisation reserve	59,211	68,042
	Total reserves	1,832,039	1,634,021
	Retained earnings	2,741,416	2,878,023
	Proposed dividend	300,000	650,000
21	Total equity	4,888,455	5,177,044
	Provision for unearned premiums	2,811,161	3,128,265
	Provision for outstanding claims	9,659,644	9,658,127
	Provision for bonuses and rebates	52,156	64,863
	Total insurance contract provisions	12,522,961	12,851,255
22	Pension obligations	638	794
17	Deferred tax liabilities	132,266	62,251
23	Other provisions	89,597	82,922
	Total provisions	222,501	145,967
	Deposits with ceding undertakings	1,274,335	1,488,297
	Payables arising from direct insurance contracts	64,000	62,405
	Payables arising from reinsurance contracts	127,608	106,161
	Amounts owed to Group entities	98,406	47,590
16	Current tax liabilities	7,786	48,244
24	Other payables	849,037	682,121
24	Total payables	1,146,837	946,521
	Accruals and deferred income	97,242	93,051
	Total equity and liabilities	20,152,331	20,702,135

Notes without reference

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Statement of changes in equity

	DKK'000					
	Share - capital	Revaluation reserves, equity method	Other reserves	Proposed dividend	Retained earnings	Total equity
2012						
Equity, beginning of the year	15,000	187,431	1,418,559	-	2,781,737	4,402,727
Changes in equity for 2012:						
Currency translation adjustment, foreign branches	-	-	-50,908	-	-	-50,908
Resolution of White Label Danmark A/S	-	2,564	-	-	-2,564	-
Intra-group contribution	-	-	-	-	47,093	47,093
Tax on intra-group contribution	-	-	-	-	-12,385	-12,385
Actuarial gains/losses on pension obligations	-	-	-	-	-113	-113
Tax on actuarial gains/losses	-	-	-	-	28	28
Currency translation adjustment in foreign branches	-	-	-	-	489	489
	-	2,564	-50,908		32,548	-15,796
Profit for the year	-	76,727	-	650,000	3,386	730,113
Total income for the year	-	79,291	-50,908	650,000	35,934	714,317
Capital injection	-	-	-	-	60,000	60,000
Equalisation reserve (credit and guarantee)	-	-	-352	-	352	-
Changes in equity for the year	-	79,291	-51,260	650,000	96,286	774,317
Equity, end of the year	15,000	266,722	1,367,299	650,000	2,878,023	5,177,044

Statement of changes in equity

	DKK'000					
	Share - capital	Revaluation reserves, equity method	Other reserves	Proposed dividend	Retained earnings	Total equity
2013						
Equity, beginning of the year	15,000	266,722	1,367,299	650,000	2,878,023	5,177,044
Changes in equity for 2013:						
Currency translation adjustment, foreign branches	-	-	147,507	-	-	147,507
Tax on currency translation adjustment in foreign branches	-	-	-	-	-9,440	-9,440
Intra-group contribution	-	-	-	-	34,238	34,238
Tax on intra-group contribution	-	-	-	-	-9,587	-9,587
Actuarial gains/losses on pension obligations	-	-	-	-	-14	-14
Tax on actuarial gains/losses	-	-	-	-	3	3
Profit for the year	-	58,255	147,507	300,000	-159,551	198,704
Total income for the year	-	58,255	147,507	300,000	-144,351	361,411
Reclassification	-	-	1,087	-	-1,087	-
Equalisation reserve (credit and guarantee)	-	-	-8,831	-	8,831	-
Paid dividend	-	-	-	-650,000	-	-650,000
Changes in equity for the year	-	58,255	139,763	-350,000	-136,607	-288,589
Equity, end of the year	15,000	324,977	1,507,062	300,000	2,741,416	4,888,455

Notes to the financial statements

Note

1 Accounting policies

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

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

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

In some tables and notes, the comparative figures have been reclassified relative to the annual report for 2012. The reclassifications are of no importance to the informative value of the individual tables and notes.

The accounting policies remain unchanged from the annual report for 2012.

General information

The annual report is presented in DKK, rounded to the nearest thousand. The business of Codan Forsikring consists mainly of selling general insurance products on the Danish market and investing in Danish securities. In addition, the company has branches in Norway, Sweden, Finland and Estonia.

Recognition and measurement

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

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

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

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

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

Key assumptions and estimates

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

Notes to the financial statements

Note

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

Risk management is described in Note 2.

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

Insurance contract liabilities

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

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

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

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

Allocations in Codan Forsikring

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

Measurement of intangible assets

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

Deferred tax

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

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

Contingent liabilities

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

Changes in assumptions and estimates

In 2013, changed assumptions and estimates concerning completed and current development projects resulted in a total impairment loss of DKK 109 million.

Notes to the financial statements

Note

Business combinations

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

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

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

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

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

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

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

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

Intra-group transactions

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

Foreign currency translation

The company's functional currency is DKK in respect of business and investments originating from Denmark. This part of the company constitutes by far the largest proportion. The functional currencies used by the company's branches in Sweden, Norway, Finland and Estonia are the currencies of the respective countries.

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

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

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly

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in equity as part of the translation reserve. If the foreign entity is disposed of, any currency translation differences will be recognised in the income statement in connection with the disposal.

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

Individual areas in the annual report

Insurance contracts

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

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

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

Reinsurance

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

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

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

General insurance contracts

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

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

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

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

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

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

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

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

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

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

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

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

The main assumptions of the methods are that the claims run-off is relatively stable over time. It is, for instance, assumed that a claim occurring in 2013 more or less has the same run-off pattern as a claim that occurred in 2010. To the extent that specific knowledge is available which makes such assumption unlikely, the model will be adjusted accordingly. In several segments, reserves relating to claims occurred in the last few years are affected by assumptions concerning underlying changes in premium level, claim frequency and claim size. These assumptions are therefore quantified explicitly and are included as part of the basis for determining the reserve.

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

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

Notes to the financial statements

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

Note

Operating expenses

Deferred expenses for the acquisition and management of the company's portfolio of insurance contracts are included in operating expenses. The item includes the corresponding share of staff costs, commissions, marketing expenses, rent, expenses for stationary and office supplies, and depreciation, amortisation and impairment of property and equipment as well as intangible assets.

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

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

Financial instruments

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

Financial derivatives

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

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

Currently financial derivatives only comprise foreign exchange contracts.

Leases

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

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

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

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

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

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

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

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Incentive schemes

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

Assets held for sale and discontinued operations

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

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

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

Income statement

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

Investment return

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

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

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

Costs attributable to trading in and management of the company's investments are recognised as investment management expenses.

The investment return further includes income from Group entities, which consists of Codan Forsikring's share of Group entities' net profit after tax.

Other income and expenses

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

Notes to the financial statements

Note

Tax

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

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

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

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

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

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

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

Intra-group contributions

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

Balance sheet

Assets

Intangible assets

Goodwill

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

Notes to the financial statements

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intra-group business combinations, existing goodwill is allocated to the new cash-generating unit in which the activities creating the goodwill are included.

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

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

Impairment losses on goodwill are not reversed.

Development projects

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities in the company can be demonstrated, and where the intention is to produce

or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

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

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

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

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

Other intangible assets

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

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

Impairment of development projects and other intangible assets

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

Property and equipment

Equipment

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

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

Notes to the financial statements

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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.

Impairment of intangible assets and property and equipment

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

Investments in Group entities

Investments in Group entities are measured according to the equity method, which means that the value is equal to the proportion of equity in the entities which corresponds to the ownership interest and is calculated in accordance with the accounting policies applied by Codan Forsikring.

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

Other financial assets

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

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

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

Currency translation adjustments are recognised directly in the income statement.

Receivables

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

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

Cash and cash equivalents

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

Prepayments and accrued income

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

Notes to the financial statements

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Liabilities

Equity

Share capital

Shares in Codan Forsikring are recognised at nominal value.

Reserve for net revaluation according to the equity method

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

Contingency funds

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

Translation reserve

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

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

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

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

Equalisation reserve

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

Proposed dividend

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

Payables and liabilities, general information

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

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

Pension obligations

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

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

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

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

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

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

The company's obligations in respect of defined-benefit schemes constitute obligations towards the surviving relatives of former employees.

Provisions

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

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

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

Deposits with ceding undertakings

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

Accruals and deferred income

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

Notes to the financial statements

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Methods for calculating financial ratios

The financial ratios have been calculated in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports. The ratios included in the five year summary have been calculated as follows:

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

Notes to the financial statements

Note

2 Risk information

Risk management and control

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

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

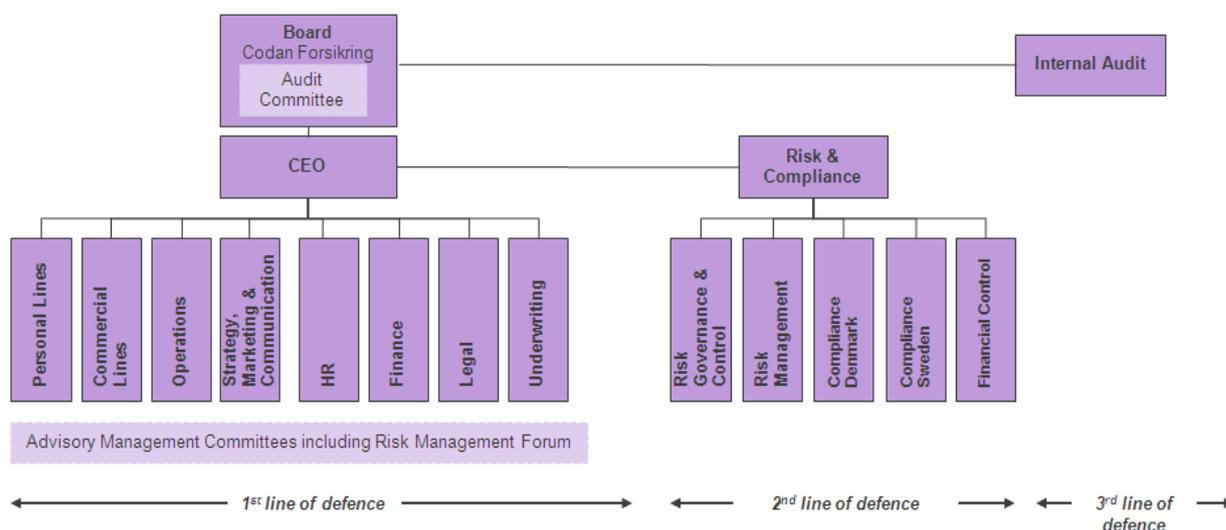
The Board of Directors is ultimately responsible for risk management and internal control, including for setting framework for risk management and risk control. The company's risk management must permeate the organisation, and efforts are made to ensure accountability and transparency in terms of clear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

For a number of years, Codan Forsikring has been working with a uniform Nordic process to identify, assess and monitor risks.

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

Risk and Compliance ensure that relevant risk information is discussed and addressed by Codan Forsikring's management with a view to analysing the risk exposure. One of the function's main activities is to build capability as well as challenging and control the risk assessment provided by the first line of defence, with input from the Insurance Risk team, which reports to Underwriting and Insurance with a dotted line to the Risk & Compliance Officer. Risk and Compliance also monitors the risk management system's maturity in the organisation and suggests developments of the governance in terms of risk, i.e. risk strategy and appetite to be adopted by the Board of Directors. Furthermore, the Financial Control Framework is embedded in the business and continuously monitored. The Financial Control Framework applies to the most critical processes leading to the financial reports and is built to ensure that no material misstatements are reported. In addition, Risk and Compliance serves in a supporting role to ensure that operations are conducted in accordance with applicable rules, and the function monitors regulatory compliance. With regard to financial risks, the Risk function within Risk and Compliance presents independent views to relevant committees, which in turn are challenged and reviewed by the Risk Management Forum.

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



Notes to the financial statements

Note

The Risk Management Forum ensures that the CEO and the management on a quarterly basis receive adequately prepared and detailed material as a basis for their respective decisions. The Forum serves in an advisory role and reports to the CEO. The work of the Risk Management Forum forms the basis of risk reporting to the Board of Directors.

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

Insurance risks

The Risk Acceptance Guidelines issued by the Board of Directors set out the risks which the company can accept. These guidelines clearly describe the risk appetite and the acceptance limits that the Board of Directors is prepared to allocate to the various risks which have been evaluated, priced and accepted by the company's underwriters.

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

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

Codan Forsikring places great emphasis on portfolio management to provide overview to its front-line underwriting activities and ensure that a clear strategy is defined for each class of business and at an aggregate level across the portfolio. Each portfolio manager/product director reviews and communicates an annual Portfolio Strategy Statement for approval by the Board of Directors. It outlines the direction of the portfolio, establishes a clear underwriting risk appetite and sets clear financial targets for the coming year. As part of Codan Forsikring's Risk Management Framework, the portfolio manager/product director makes assessments against a standard set of KPIs on a quarterly basis. These are reported by the Insurance Risk function to the Board of Directors in an effort to monitor portfolio performance, identify areas of interest and plan risk mitigation actions.

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

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

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

Notes to the financial statements

Note

Insurance risk concentration

The Risk Appetite Statement determines how reinsurance protection is to be structured to protect Codan Forsikring's equity.

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

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

Non-catastrophe risks

Codan Forsikring's reinsurance program for 2013 was an excess of loss programme with a maximum retention of DKK 100 million for any one risk, any one event in respect of buildings and contents insurance. The retention for accident claims was DKK 100 million, DKK 25 million for liability and DKK 30 million for motor third party liability claims. All reinsurance contracts are purchased on a Nordic or global basis, thereby reducing costs. The above net retention amounts are reduced by way of a quota share cession as mentioned below.

Codan Forsikring offers its customers insurance cover for terrorist attacks, and the risk is reinsured both on a per risk and a per event basis and always within the company's reinsurance limit. If additional cover is needed, Codan Forsikring will purchase additional cover in the reinsurance market. In Denmark, a Nuclear, Biological, Chemical and Radioactive (NBCR) Pool is in place.

Codan Forsikring has entered into a quota share arrangement with RSA Reinsurance Ireland Ltd. The agreement for 2013 covered 25% of net results. Codan Forsikring will receive a commission according to the reinsurance agreement.

Storm and catastrophe risk

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

For personal accident and life catastrophe events of a sudden nature, like a ferry accident or a tsunami, Codan Forsikring has a shared reinsurance contract with the rest of the Codan Group companies. In 2013, the maximum net retention for Codan Forsikring was DKK 100 million per event which, however, is reduced by quota share reinsurance.

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

Reserving risk

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

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

Notes to the financial statements

Note

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

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

Financial risk

Market risks and investment strategy

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

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

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

Investment management

Codan Forsikring has chosen an outsourcing strategy for managing its investments. External portfolio managers have been approved by the Board of Directors, and their investment authority is subject to Codan Forsikring's Investment Guidelines laid down by the Board of Directors. In 2013, the primary part of the portfolio was managed by external portfolio managers.

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

Liquidity and interest rate risk

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

Codan Forsikring's short-term liquidity is monitored through ongoing cash management supported by monthly liquidity reports providing an overview of the risk exposure relative to market and credit risks. Long-term cash management is handled through ALM (Asset Liability Management).

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

Notes to the financial statements

Note

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

Contractual repricing or maturity dates	DKK '000						
2013	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Danish government bonds	-	565,260	-	851,041	-	992,791	2,409,092
Danish fixed rate mortgage bonds	312,096	1,247,590	506,881	498,509	736,542	2,211,985	5,513,603
Danish floating rate mortgage bonds	-	38,171	163,243	-	-	10,985	212,399
Other Danish bonds	-	-	323,310	468,083	-	140,625	932,018
Other European bonds	237,652	713,151	133,946	135,907	83,112	953,611	2,257,379
Norwegian fixed rate mortgage bonds	137,714	-	-	-	-	-	137,714
Norwegian floating rate mortgage bonds	-	133,381	186,427	133,894	-	-	453,702
US bonds	66,914	-	-	-	-	-	66,914
Other loans, deposits with credit institutions, call deposits, etc.	806,805	409,640	-	-	-	-	1,216,445
Other	5,361	-	-	-	-	-	5,361
Receivables from Group entities	1,128,923	-	-	-	-	-	1,128,923
Financial assets	2,695,465	3,107,193	1,313,807	2,087,434	819,654	4,309,997	14,333,550
Amounts owed to Group entities	98,406	-	-	-	-	-	98,406
Lease payables	5,785	3,428	710	-	-	-	9,923
Financial liabilities	104,191	3,428	710	-	-	-	108,329

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK '000						Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
2012							
Danish government bonds	485,832	-	589,882	-	890,724	1,050,995	3,017,433
Danish fixed rate mortgage bonds	150,980	549,115	1,283,715	516,693	493,162	3,350,715	6,344,380
Danish floating rate mortgage bonds	2,199	-	-	-	-	267,037	269,236
Other Danish bonds	-	-	-	332,160	471,138	150,000	953,298
Other European bonds	172,129	265,693	725,488	124,362	39,637	798,377	2,125,686
Norwegian fixed rate mortgage bonds	-	162,406	-	-	-	-	162,406
Norwegian floating rate mortgage bonds	-	154,833	-	265,261	102,178	-	522,272
US bonds	-	69,893	-	-	-	-	69,893
Other loans, deposits with credit institutions, call deposits, etc.	329,557	104,292	-	-	-	-	433,849
Receivables from Group entities	1,096,948	-	-	-	-	-	1,096,948
Financial assets	2,237,645	1,306,232	2,599,085	1,238,476	1,996,839	5,617,124	14,995,401
Amounts owed to Group entities	47,590	-	-	-	-	-	47,590
Lease payables	6,568	4,025	1,497	-	-	-	12,090
Financial liabilities	54,158	4,025	1,497	-	-	-	59,680

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

	Effective interest rates		Duration	
	2013	2012	2013	2012
Financial assets				
Danish government bonds	0.8	0.3	4.0	4.3
Danish mortgage bonds	1.7	2.0	3.3	2.1
Other Danish bonds	0.7	0.8	3.6	4.5
Norwegian mortgage bonds	1.2	1.9	1.9	2.5
Other European bonds	2.0	1.8	4.7	4.6
US bonds	0.1	0.2	0.9	1.9
Deposits with credit institutions, call deposits, etc.	0.1	0.2		
Receivables from Group entities	0.3	0.4		
Financial liabilities				
Amounts owed to Group entities	0.3	0.4		

Notes to the financial statements

Note

Currency risk

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Apart from the investments in subsidiaries, Codan Forsikring's net exposure to currency risk is limited, as the company's strategy for managing currency risk is to ensure that the assets match the currency of the corresponding liabilities.

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

Currency risk	DKK '000						Other currency
	USD	SEK	GBP	EUR	NOK		
Financial assets							
Equity investments	-	-	28	47,597	-	-	-
Units in open-ended funds	-	-	-	46,687	-	-	-
Bonds	274,507	-	-	1,018,137	1,528,815	-	-
Other loans, deposits with credit institutions, call deposits, etc.	8,104	406,591	3,472	41,626	183,627	1,785	-
Other	-	-398,163	-	-	-	-	-
Intangible assets	-	10,963	-	82,623	71,210	-	-
Property and equipment	-	-	-	652	2,110	-	-
Receivables from policyholders, brokers and insurance companies	118,679	5,367	92,592	161,770	397,570	51	-
Receivables from Group entities	-	340	8,319	-3,508	23,240	-	-
Other receivables	-	82	-	841	11,198	-	-
Deferred tax assets	-	-	-	-	72,314	-	-
Prepayments and accrued income	586	-	-	21,976	30,479	-	-
Reinsurers' share of insurance contract provisions	158,520	-935	115,518	4,827	28,596	-	-
Financial liabilities							
Payables arising from direct insurance and reinsurance	-36,658	-10,080	-17,595	-18,713	-9,994	-61	-
Amounts owed to Group entities	-	-	-	-1,719	-20,889	-	-
Other payables	-16,002	-1,222	-133	-10,332	-167,822	-15	-
Current tax liabilities	-	-7,786	-	-	-	-	-
Deferred tax liabilities	-	-12,513	-	-16	-	-	-
Insurance liabilities	-554,067	-114,331	-265,367	-761,009	-1,587,426	-11,887	-
Currency risk	-46,331	-121,687	-63,166	631,439	563,028	-10,127	

Notes to the financial statements

Note

Currency risk	DKK '000		2012				Other currency
	USD	SEK	GBP	EUR	NOK		
Financial assets							
Equity investments	-	-	29	42,524	-	-	-
Units in open-ended funds	-	-	-	17,475	-	-	-
Bonds	226,431	-	-	977,861	1,675,966	-	-
Other loans, deposits with credit institutions, call deposits, etc.	16,040	33,047	1,358	75,513	137,866	3,503	-
Intangible assets	-	11,433	-	81,148	104,511	-	-
Property and equipment	-	-	-	655	3,776	-	-
Receivables from policyholders, brokers and insurance companies	215,035	17,753	44,681	216,060	336,851	179	-
Receivables from Group entities	14,766	46,945	-	-73,207	-11,085	76	-
Other receivables	-	1,020	-	501	52,382	-	-
Deferred tax assets	-	-	-	16	136,751	-	-
Prepayments and accrued income	642	-	-	23,367	29,876	-	-
Reinsurers' share of insurance contract provisions	194,520	48	-	9,067	16,445	-	-
Financial liabilities							
Payables arising from direct insurance and reinsurance	-56,239	-4,275	-13,385	-20,271	-12,881	-	-
Amounts owed to Group entities	-	-	-926	-422	-10,301	-334	-
Other payables	-3,628	-8,836	-674	-9,580	-145,539	-	-
Current tax liabilities	-	-10,390	-	-3,066	-	-	-
Deferred tax liabilities	-	-1,203	-	-	-17,254	-	-
Insurance liabilities	-725,425	-148,525	-206,263	-398,805	-1,656,578	-19,859	-
Currency risk	-117,858	-62,983	-175,180	938,836	640,786	-16,435	

Equity risk

Codan Forsikring has chosen to place a small share of its investments in equity investments, thereby limiting the company's equity risk. At 31 December 2013, Codan Forsikring had invested a total amount of DKK 51 million of its other financial assets in equities.

Credit risk

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

Credit risk relating to investments

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

Notes to the financial statements

Note

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

Rating	DKK '000	2013	2012
AAA		10,440,371	11,267,550
AA		181,806	417,236
A		1,068,424	1,285,475
BBB		252,484	494,343
Non-rated		39,736	-
Bonds		11,982,821	13,464,604

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

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

Maximum credit risk	DKK '000	2013	2012
Danish government bonds		2,409,092	3,017,433
Danish fixed rate mortgage bonds		5,513,603	6,344,380
Danish floating rate mortgage bonds		212,399	269,236
Other Danish bonds		932,018	953,298
Other European bonds		2,257,379	2,125,686
Norwegian fixed rate mortgage bonds		137,714	162,406
Norwegian floating rate mortgage bonds		453,702	522,272
US bonds		66,914	69,893
Other loans, deposits with credit institutions and call deposits, etc.		1,216,445	433,849
Deposits with ceding undertakings		592	1,016
Reinsurers' share of provision for unearned premiums		67,158	480,659
Reinsurers' share of provision for claims		2,064,413	1,754,291
Receivables from policyholders		1,320,160	1,391,496
Receivables from brokers		69,881	67,546
Receivables from insurance companies		116,843	140,891
Receivables from Group entities		1,128,923	1,096,948
Other receivables		326,961	100,838
Current tax assets		57,723	-
Accrued interest and rent		190,307	208,531
Maximum credit risk		18,542,227	19,140,669

Operational risks

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

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

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

Notes to the financial statements

Note

Compliance risk

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

Codan focuses on maintaining good internal control by appropriate routines and instructions and clearly defined roles and responsibilities for the employees. To follow up that the business remains compliant, a compliance function, Regulatory Risk & Compliance, has been established as part of Risk & Compliance.

The responsibility to manage compliance risk lies with the risk owners in the respective businesses. It is the responsibility of the risk owner to evaluate and manage the risk, with support from Regulatory Risk & Compliance. Regulatory Risk & Compliance deliver periodical reports on compliance risks to the CEO and the Board of Directors.

Emerging risk

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

Sensitivity analysis

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

Impact on equity	DKK '000	
Occurrence:	2013	2012
0.7-1.0 percentage point increase in interest rates	-149,853	-153,401
0.7-1.0 percentage point decrease in interest rates	100,601	95,444
12.0 per cent fall in share prices	-11,686	-7,572
Currency risk (Value-at-risk 99.0)	-19,114	-22,724
Counterparty losses of 8.0 per cent (credit and counterparty risk)	-229,454	-213,536

Capital and solvency

Codan Forsikring calculates and follows up on both external and internal capital requirements. External capital requirements include accounting equity, capital base and solvency requirements as set out in the Danish Financial Supervisory Authority's rules. The solvency capital requirement is calculated using an internal model. The external capital requirements are stress tested using, for example, the traffic light scenarios of the Danish Financial Supervisory Authority. The internal capital requirements include economic capital, which is calculated by using internal models based on the internal rules of the RSA Group. A capital measure is also calculated in accordance with the rules of the credit rating companies to ensure the desired rating can be met as a group.

The capital available is calculated as the difference between the allowed assets and liabilities. Available assets and liabilities are determined by the applicable rules for each evaluation basis. The capital base, calculated in accordance with the Danish Financial Supervisory Authority's rules, is set out in Note 19. Economic capital assessment is forward-looking and takes into account future cash flows. As a result, the assets and liabilities of the balance sheet are not necessarily easily identifiable in relation to this assessment. Calculation of the rating capital has lower priority, as the Codan Group to a great extent, depends on the rating obtained by the RSA Group.

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

Notes to the financial statements

Note

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

Codan Forsikring has implemented a process for the continuous monitoring of the above-mentioned capital measurement and has set up an advisory Capital Management Committee. A Capital Scorecard is used as a tool in this process. All capital requirements are currently met for all capital categories. The coming Solvency II rules will result in new requirements. Codan Forsikring is preparing for the upcoming Solvency II rules and is following the development closely.

Dividend potential

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

Notes to the financial statements

Note	DKK'000				
3 Key figures and financial ratios					
Five year summary	2013	2012	2011	2010*	2009*
Gross earned premiums	7,821,262	7,906,127	7,364,477	7,391,502	7,369,498
Gross claims incurred	-5,552,922	-5,316,125	-6,288,923	-5,809,627	-5,529,890
Total operating expenses	-1,760,843	-1,749,305	-1,568,608	-1,450,887	-1,485,043
Profit/loss from reinsurance	-69,212	-291,862	372,647	-172,832	-299,441
Balance on the technical account	370,139	460,349	-135,779	-98,986	40,245
Investment return after technical interest	-138,111	492,612	221,064	268,425	504,200
Profit for the year	198,704	730,113	60,767	127,463	433,099
Run-off gain/loss, net of reinsurance	573,216	545,271	131,508	145,742	89,634
Total technical provisions	12,522,961	12,851,255	12,746,162	11,862,688	11,215,962
Total insurance assets	2,131,571	2,234,950	2,276,246	1,538,329	841,257
Total equity	4,888,455	5,177,045	4,402,727	3,826,625	3,860,603
Total assets	20,152,331	20,702,135	20,259,256	18,215,144	16,121,527
Financial ratios					
Gross claims ratio	71.7	68.1	86.0	79.6	75.9
Gross expense ratio	22.7	22.4	21.5	19.9	20.4
Combined ratio	95.3	94.3	102.4	101.8	100.4
Operating ratio	95.2	94.1	101.8	101.3	99.5
Relative run-off result	7.3	6.7	1.7	1.8	1.2
Return on equity in %	3.9	15.2	1.5	3.3	10.6
Solvency ratio in %	274	263	254	228	235

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

Notes to the financial statements

Note	DKK '000	2013	2012
4 Gross earned premiums			
Gross premiums written		7,593,637	8,056,449
Change in the provision for unearned premiums, gross		227,625	-150,322
Gross earned premiums		7,821,262	7,906,127
Gross earned premiums from direct insurance by geographical location of the risk:			
Denmark		5,137,386	5,628,413
Other EU countries		802,094	504,609
EEA countries		1,789,410	1,690,178
Other countries		13,536	1,265
Direct insurance		7,742,426	7,824,465
Gross earned premiums from indirect insurance:			
General insurance		78,836	81,662
Indirect insurance		78,836	81,662
Gross earned premiums		7,821,262	7,906,127
5 Technical interest			
Yield calculated on technical provisions		79,752	105,402
Technical interest transferred to general insurance		79,752	105,402
Increase in technical provisions attributable to discounting		-70,804	-93,149
Technical interest		8,948	12,253
6 Claims incurred, net of reinsurance			
Claims incurred include the following run-off results:			
Run-off gain, gross		540,805	475,791
Run-off gain, ceded business		32,411	69,480
Run-off gain, net of reinsurance		573,216	545,271

The run-off gain in 2013 on prior years stems mainly from the following lines of business Direct Hull, Personal Accident and Technical Lines. Direct Hull was hit by several large claims in 2012 and during 2013 we saw a favourable adjustment on several of these resulting in a total run-off gain of almost DKK 100 million at year end. Personal Accident showed run-off gains for most prior accident years during 2013, and the actuarial reserving models has subsequently been adjusted to reflect the improved performance of the personal accident portfolio. For Technical Lines a large part of the observed gain can be explained by a review of the IBNER level on large claims resulting in positive run off approximately DKK 100 million mostly relating to accident years 2010-2013.

Notes to the financial statements

Note	DKK '000	2013	2012
7 Net operating expenses			
Staff costs:			
Wages and salaries		-1,133,933	-1,180,109
Defined contribution schemes		-167,342	-155,745
Other social security costs		-29,381	-29,696
Payroll tax		-41,021	-113,570
Share-based payment costs		-4,864	-5,317
Employment agency costs		-9,760	-11,520
Other staff costs		-44,966	-56,267
		-1,431,267	-1,552,224
Commissions, underwriters and brokers		-361,185	-366,776
Commissions, other insurance companies		-16,375	-25,957
Depreciation		-260,366	-187,153
Rent		-59,453	-58,199
Other acquisition costs and administrative expenses		164,321	233,562
Reimbursements from Group entities		203,482	207,442
Reinsurance commissions and profit participation		418,493	477,914
Net operating expenses		-1,342,350	-1,271,391

Total payroll costs, including commissions to tied agents, in respect of direct insurance -1,250,650 -1,313,027

Converted into full-time employees, the average number of persons employed during the financial year was 1,857 persons (1,867 persons in 2012).

Fees to the company's auditor:

Deloitte		-54	-3,883
KPMG		-2,781	-
Remuneration, statutory audit		-2,835	-3,883
Deloitte		-19	-
KPMG		-38	-
Remuneration, other assurance engagements		-57	-
Deloitte		-107	-1,640
Remuneration, tax advisory services		-107	-1,640
Deloitte		-26,955	-92,777
KPMG		-35	-
Remuneration, other services		-26,990	-92,777
Remuneration of the company's auditor		-29,989	-98,300

Remuneration relating to consultancy services performed by Deloitte, Portugal is included in remuneration, other services with DKK 26 mio. (DKK 92 mio. in 2012)

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

Notes to the financial statements

Note	DKK '000	2013	2012
7 Net operating expenses (continued)			
Earned remuneration* to current and former members of the Board of Directors and Board of Management of Codan Forsikring:			
Remuneration of the Board of Directors (fixed remuneration)			
Member of the Board of Directors:			
Lars Nørby Johansen		-393	-360
Anthony Latham		-345	-370
Jørgen Lykke		-195	-195
Henrik Müllertz		-	-65
Jørgen Koch		-195	-130
Marianne Phillip		-295	-295
Christian Sletten		-195	-195
Remuneration to the Board of Directors		-1,618	-1,610
Remuneration of the Board of Management:			
Wages and salaries (fixed remuneration)		-3,063	-3,469
Bonuses (variable remuneration)		-700	-636
Pension benefits (fixed remuneration)		-511	-502
Share-based payments (variable remuneration)		-991	-997
Remuneration of the Board of Management		-5,265	-5,604
CEO Vibeke Krag		-5,265	-5,604
Remuneration to the Board of Management		-5,265	-5,604
Number of employees in the Board of Management at 31 December		1	1
The company provides car, telephone and health insurance available to the CEO. The taxable income hereof is included in the numbers above.			
Employees with material influence on the company's risk profile:			
Wages and salaries (fixed remuneration)		-40,026	-30,005
Bonuses (variable remuneration)		-11,113	-8,476
Pension benefits (fixed remuneration)		-5,118	-3,833
Share-based payments (variable remuneration)		-11,472	-6,418
Remuneration of employees with material influence on the company's risk profile		-67,729	-48,733
Numbers of employees with material influence on the Company's risk profile		32	25

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

The Board of Management participates in a number of incentive schemes. For further evaluation, see note 26. The Board of Directors do not participate in incentive schemes as a result of their board duties at Codan Forsikring.

A few unfunded pension commitments were made to surviving relatives of deceased former members of the Board of Directors and the Board of Management of Codan Forsikring, cf. Note 22. These pension commitments are not included in the above specification.

* The comparative numbers have been changed amongst other as a consequence of changes to the wording of § 77d in the Danish Financial Business Act.

Notes to the financial statements

Note	2013	DKK '000		
8 Balance on the technical account, general insurance				Motor
Balance on the technical account for general insurance in 2013 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Third Party Liability
Gross premiums written	574,035	380,471	482,481	661,602
Gross earned premiums	571,793	385,837	473,899	686,050
Gross claims incurred	-263,618	-293,228	-258,420	-512,947
Bonuses and rebates	2,393	-	-	1,097
Operating expenses, gross	-142,348	-108,493	-83,861	-172,643
Profit/loss from reinsurance	-43,119	-1,947	2,911	17,340
Technical interest	624	406	465	825
Balance on the technical account	125,725	-17,425	134,994	19,722
Number of claims paid	11,293	22,032	5,655	25,963
Average claims paid in DKK	23,343	13,309	45,698	19,757
Claims frequency	6.8%	223.4%	26.0%	7.4%
	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	1,272,451	648,065	1,162,966	1,878,683
Gross earned premiums	1,315,247	688,327	1,160,618	2,009,333
Gross claims incurred	-807,414	-449,166	-835,298	-1,520,581
Bonuses and rebates	-32,956	-103	-33,449	-3,440
Operating expenses, gross	-324,339	-139,688	-315,058	-377,521
Profit/loss from reinsurance	-31,553	-90,934	-5,612	-96,358
Technical interest	1,458	521	1,467	2,633
Balance on the technical account	120,443	8,957	-27,332	14,066
Number of claims paid	73,716	3,649	73,598	22,014
Average claims paid in DKK	10,953	123,093	11,349	69,073
Claims frequency	25.6%	29.1%	19.4%	18.4%
	Liability	Tourist Assistance	Other insurance	Total general insurance
Gross premiums written	263,316	150,686	118,881	7,593,637
Gross earned premiums	263,705	148,486	117,967	7,821,262
Gross claims incurred	-415,655	-126,860	-69,735	-5,552,922
Bonuses and rebates	-951	-9,685	-	-77,094
Operating expenses, gross	-63,620	-1,644	-31,628	-1,760,843
Profit/loss from reinsurance	190,677	-76	-10,541	-69,212
Technical interest	256	164	129	8,948
Balance on the technical account	-25,588	10,385	6,192	370,139
Number of claims paid	7,433	346*		245,714
Average claims paid in DKK	55,920	366,647		22,599
Claims frequency	14.3%	13.2%		17.5%

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

*) Tourist assistance include collective insurance contract.

Notes to the financial statements

Note	2012	DKK '000		
8 Balance on the technical account, general insurance (continued)				
Balance on the technical account for general insurance in 2012 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
Gross premiums written	564,741	374,522	466,406	765,749
Gross earned premiums	570,787	348,466	465,262	813,219
Gross claims incurred	-379,776	-269,730	-182,349	-475,774
Bonuses and rebates	-2,540	-	-	-1,110
Operating expenses, gross	-122,095	-117,439	-56,677	-143,774
Profit/loss from reinsurance	-14,116	4,474	27,679	-26,789
Technical interest	792	525	622	1,328
Balance on the technical account	53,052	-33,704	254,537	167,100
Number of claims paid	11,118	24,523	5,238	25,623
Average claims paid in DKK	34,159	10,999	34,813	18,568
Claims frequency	6.2%	258.2%	25.8%	7.4%
	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	1,311,344	833,730	1,197,319	1,975,933
Gross earned premiums	1,304,629	769,425	1,220,485	1,852,813
Gross claims incurred	-859,003	-531,592	-962,621	-1,202,858
Bonuses and rebates	-36,457	-1,860	-36,961	-6,245
Operating expenses, gross	-356,124	-140,456	-297,248	-420,893
Profit/loss from reinsurance	-49,420	-41,105	4,480	-177,740
Technical interest	2,012	779	2,016	3,456
Balance on the technical account	5,637	55,191	-69,849	48,533
Number of claims paid	73,344	3,573	66,963	17,593
Average claims paid in DKK	11,712	148,780	14,375	68,371
Claims frequency	26.3%	29.2%	16.7%	18.3%
	Liability	Tourist Assistance	Other insurance	Total general insurance
Gross premiums written	279,135	155,705	131,866	8,056,450
Gross earned premiums	274,563	155,705	130,773	7,906,127
Gross claims incurred	-160,530	-127,230	-164,662	-5,316,125
Bonuses and rebates	-520	-15,046	-	-100,739
Operating expenses, gross	-58,463	-1,065	-35,071	-1,749,305
Profit/loss from reinsurance	-18,992	-	-333	-291,862
Technical interest	334	238	151	12,253
Balance on the technical account	36,392	12,602	-69,142	460,349
Number of claims paid	14,982	1*		242,999
Average claims paid in DKK	10,715	127,230,000		21,877
Claims frequency	30.1%	100.0%		17.4%

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

*) Tourist assistance include collective insurance contract.

Notes to the financial statements

Note	DKK '000	2013	2012
8 Balance on the technical account, general insurance (continued)			
The average claims paid are calculated as claims costs for the year relative to the number of claims paid and are therefore affected by run-off gains and losses.			
The claims frequency is calculated as the number of claims paid relative to the average number of insurance contracts in the period, cf. the guidelines issued by the Danish Financial Supervisory Authority.			
9 Interest income and dividends, etc.			
Interest income from Group entities		22,941	28,626
Interest income from bonds, loans and deposits		429,019	432,287
Non-taxable interest income		2	4,458
Income from units in open-ended funds and other equity investments		2,739	4,865
Other interest income		58,699	18,586
Interest income and dividends, etc.		513,400	488,822
10 Value adjustments			
Equity investments		5,072	13,059
Units in open-ended funds		11	-5,042
Bonds		-587,182	289,338
Other loans		-60,808	-65,000
Other investment assets		12,618	-
Total investments		-630,289	232,355
Value adjustments, discounting of provisions for outstanding claims		75,235	-122,027
Value adjustments		-555,054	110,328
Realised gains and losses on investments		-2,278	23,308
Unrealised gains and losses on investments		-628,012	209,048
Other realised gains and losses		-8,210	19,916
Value adjustments, discounting of provisions for outstanding claims and other unrealised gains and losses		83,446	-141,944
Value adjustments		-555,054	110,328
Unrealised gains and losses on securities where the fair value is determined using valuation techniques which are not based on official market values or prices		-60,798	-65,853
11 Other expenses			
Adjustment of fee in connection with disposal of property company in 2008		-872	-
Other expenses		-872	-

Notes to the financial statements

Note	DKK '000	2013	2012
12 Tax			
Tax on total income for the year:			
Current tax expense		3,249	-194,035
Change in deferred tax on temporary differences		-66,401	-46,662
Change in deferred tax resulting from change in tax rate		10,285	235
		-52,867	-240,462
Adjustments relating to previous years:			
Current tax for previous years		50,028	-717
Adjustment of deferred tax at 1 January		-48,637	5,975
		1,391	5,258
		-51,476	-235,204
Tax expense			
Tax is included as follows:			
Tax in the income statement		-32,452	-222,847
Tax on changes in equity		-19,024	-12,357
		-51,476	-235,204
Tax expense			
Total tax on total income for the year can be explained as follows:			
Profit before tax		231,156	952,961
Reversal of income from Group entities		-58,255	-76,727
Actuarial gains and losses on pension obligations recognised in equity		-14	-113
Intra-group contribution recognised in equity		34,238	47,093
Total income		207,125	923,214
Applicable tax rate		25%	25%
Tax calculated on total income		-51,781	-230,804
Tax on permanent differences:			
Income not subject to tax		5,243	1,114
Expenses disallowed for tax purposes		-3,873	-886
Non- refundable dividend taxes		-40	-1,008
Different tax rates in countries where branches are located		-13,553	-10,957
Change in tax rate		10,285	235
Other permanent differences		852	1,844
		-52,867	-240,462
Tax			
Tax on total income for the year		-52,867	-240,462
Adjustment of tax relating to previous years		1,391	5,258
		-51,476	-235,204
Tax expense			

Notes to the financial statements

Note	DKK '000		
13 Intangible assets	Completed		IT development
2013	IT development	Goodwill	projects in
	projects		progress
Cost, beginning of the year	410,738	212,357	443,004
Currency translation adjustments, foreign branches	-17,357	-1,120	-
Additions	16,708	-	274,394
Transferred from development projects in progress	424,251	-	-424,251
Cost, end of the year	834,340	211,237	293,147
Amortisation and impairment, beginning of the year	-190,176	-	-23,020
Currency translation adjustments, foreign branches	8,846	-	-
Impairment losses recognised in the income statement	-66,508	-	-42,167
Amortisation during the year	-115,656	-	-
Amortisation and impairment, end of the year	-363,494	-	-65,187
Carrying amount, end of the year	470,846	211,237	227,960
Carrying amount, beginning of the year	220,562	212,357	419,984
2012			
Cost, beginning of the year	278,423	211,349	424,642
Currency translation adjustments, foreign branches	6,404	1,008	-
Additions	28,738	-	254,372
Disposals during the year	-129,655	-	-9,182
Transferred from development projects in progress	226,828	-	-226,828
Cost, end of the year	410,738	212,357	443,004
Amortisation and impairment, beginning of the year	-183,640	-	-21,802
Currency translation adjustments, foreign branches	-2,384	-	-
Impairment losses recognised in the income statement	-67,246	-	-10,400
Reversal of impairment losses relating to disposals during the year	2,482	-	9,182
Amortisation during the year	-66,238	-	-
Reversal of amortisation relating to disposals during the year	126,850	-	-
Amortisation and impairment, end of the year	-190,176	-	-23,020
Carrying amount, end of the year	220,562	212,357	419,984
Carrying amount, beginning of the year	94,783	211,349	402,840
	Net book	Calculated	
	value	headroom	WACC
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of the Tre Kroner Portfolio	131,160	3,359,952	7.48%
Acquired goodwill in relation to the purchase of the Norwegian portfolios	4,375	27,343	7.48%
Acquired goodwill in relation to the purchase of the marine portfolios	75,702	363,892	7.48%
Total goodwill 2013	211,237	3,751,187	

Notes to the financial statements

Note	DKK '000		
13 Intangible assets (continued)	Acquired	Customer	Total
2013	software	lists etc.	intangible
	licenses		assets
Cost, beginning of the year	34,315	111,140	1,211,554
Currency translation adjustments, foreign branches	-4,338	-3,807	-26,622
Additions	137	-	291,239
Cost, end of the year	30,114	107,333	1,476,171
Amortisation and impairment, beginning of the year	-19,700	-61,527	-294,423
Currency translation adjustments, foreign branches	2,973	2,437	14,256
Intra-group portfolio transfer	-	13	13
Impairment losses recognised in the income statement	-	-	-108,675
Amortisation during the year	-6,160	-13,738	-135,554
Amortisation and impairment, end of the year	-22,887	-72,815	-524,383
Carrying amount, end of the year	7,227	34,518	951,788
Carrying amount, beginning of the year	14,615	49,614	917,132
2012			
Cost, beginning of the year	38,277	94,095	1,046,786
Currency translation adjustments, foreign branches	1,896	1,106	10,414
Additions	1,145	15,939	300,194
Disposals	-	-	-138,837
Transferred from development projects in progress	-7,003	-	-7,003
Cost, end of the year	34,315	111,140	1,211,554
Amortisation and impairment, beginning of the year	-20,577	-47,269	-273,288
Currency translation adjustments, foreign branches	-925	-807	-4,116
Impairment losses recognised in the income statement	-	-	-77,646
Tilbageført værdiforringelse på årets afgang	-	-	11,664
Amortisation during the year	-5,201	-13,451	-84,890
Reversal of amortisation relating to disposals during the year	7,003	-	133,853
Amortisation and impairment, end of the year	-19,700	-61,527	-294,423
Carrying amount, end of the year	14,615	49,613	917,131
Carrying amount, beginning of the year	17,700	46,826	773,498

Amortisation is included in operating expenses and claims incurred.

Notes to the financial statements

Note	DKK '000		
14 Amortisation and impairment, beginning of the year 2013	IT equipment under finance leases	Other equipment	Total equipment
Cost, beginning of the year	94,691	73,633	168,324
Currency translation adjustments, foreign branches	-	-2,704	-2,704
Additions, including improvements	5,368	5,077	10,445
Disposals during the year	-	-20,608	-20,608
Cost, end of the year	100,059	55,398	155,457
Depreciation and impairment, beginning of the year	-83,193	-51,746	-134,939
Currency translation adjustments, foreign branches	-	2,185	2,185
Intra-group portfolio transfer	-	-13	-13
Depreciation during the year	-7,562	-8,576	-16,138
Depreciation on disposals	-	15,156	15,156
Depreciation and impairment, end of the year	-90,755	-42,994	-133,749
Carrying amount, end of the year	9,304	12,404	21,708
Carrying amount, beginning of the year	11,498	21,887	33,385
Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	
2012			
Cost, beginning of the year	86,014	115,569	201,583
Currency translation adjustments, foreign branches	-	1,111	1,111
Additions, including improvements	8,677	3,945	12,622
Disposals during the year	-	-46,992	-46,992
Cost, end of the year	94,691	73,633	168,324
Depreciation and impairment, beginning of the year	-72,522	-79,741	-152,263
Currency translation adjustments, foreign branches	-	-980	-980
Depreciation during the year	-10,671	-13,623	-24,294
Depreciation on disposals	-	42,598	42,598
Depreciation and impairment, end of the year	-83,193	-51,746	-134,939
Carrying amount, end of the year	11,498	21,887	33,385
Carrying amount, beginning of the year	13,492	35,828	49,320
Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	

Notes to the financial statements

Note	DKK '000	2013	2012
15 Investments in Group entities			
Cost, beginning of the year		100,797	102,851
Disposals, during the year		-	-2,054
Cost, end of the year		100,797	100,797
Adjustments, beginning of the year		266,722	187,973
Profit for the year from Group entities		58,255	76,727
Resolution of White Label Danmark A/S		-	2,564
Negative equity capital in Group entities offset against receivables		-	-542
Adjustments, end of the year		324,977	266,722
Carrying amount, end of the year		425,774	367,519

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

Besigtelses Kontoret af 1914 A/S	29,080	28,248
Forsikringselskabet Privatsikring A/S	396,694	339,271
	425,774	367,519

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

All subsidiaries are separate entities.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results 2013 DKK '000	Equity 31.12.2013 DKK '000
Companies carrying on insurance business:				
Forsikringselskabet Privatsikring A/S	Frederiksberg	100	57,423	396,694
Companies providing insurance-related services:				
Besigtelses Kontoret af 1914 A/S	Frederiksberg	100	832	29,080

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

Notes to the financial statements

Note	DKK '000	2013	2012
16 Current tax assets and liabilities			
Current tax assets and liabilities, beginning of the year		-48,244	79,533
Transfer from other payables		-	72
Currency translation adjustments		357	-378
Current tax for the year		3,249	-194,035
Adjustment of current tax relating to previous years		50,028	-717
Corporation tax paid during the year		44,547	67,281
		49,937	-48,244
Current tax assets and liabilities are included as follows:			
Current tax assets		57,723	-
Current tax liabilities		-7,786	-48,244
		49,937	-48,244

Notes to the financial statements

Note	DKK '000	2013	2012
17 Deferred tax assets and liabilities			
Deferred tax assets, beginning of the year		57,262	89,532
Currency translation adjustments		-12,462	8,182
Change relating to intangible assets		-92,841	-9,150
Change relating to property and equipment		34,352	-4,065
Change relating to investments		-	-3
Change relating to other receivables and assets		-276	11
Change relating to technical provisions		1,976	14,579
Change relating to liabilities and payables		-19,548	-727
Change relating to tax losses		-28,416	-41,097
Deferred tax assets and liabilities, end of the year		-59,953	57,262
Deferred tax for the year recognised in the income statement		-56,112	-46,399
Deferred tax for the year recognised in equity		-4	-28
Total deferred tax for the year		-56,116	-46,427
Specification of deferred tax assets and liabilities at the end of the year:			
Intangible assets		-127,907	-35,435
Property and equipment		1,660	-32,431
Financial assets		117	-
Other receivables and assets		4,432	5,382
Technical provisions		-4,787	-8,622
Liabilities and payables		-13,973	5,733
Net tax losses carried forward		80,505	122,635
Deferred tax assets and liabilities, end of the year		-59,953	57,262
Deferred tax assets and liabilities are included as follows:			
Deferred tax assets		72,313	119,513
Deferred tax liabilities		-132,266	-62,251
Deferred tax assets and liabilities		-59,953	57,262
In accordance with the rules issued by the Danish Financial Supervisory Authority no provisions are made for deferred tax on untaxed transfers to contingency funds, cf. note 20.			
18 Accrued interest and rent			
Accrued interest from Group entities		-62	-
Accrued interest from investments		-190,210	-208,531
Other accrued interest		-35	-
Accrued interest and rent		-190,307	-208,531

Notes to the financial statements

Note	DKK '000	2013	2012
19 Share capital			
The company's fully paid share capital can be broken down as follows:			
2 shares of DKK 1,000,000		2,000	2,000
1 share of DKK 2,000,000		2,000	2,000
2 shares of DKK 3,000,000		6,000	6,000
1 share of DKK 5,000,000		5,000	5,000
Share capital		15,000	15,000
No shares carry special rights. All shares carry full dividend rights. The company does not hold own shares. There has been no change in the Share Capital during the past 5 years.			
20 Contingency funds			
The contingency funds can be broken down as follows:			
Contingency fund A, created by resolution at the Annual General Meeting on 17 May 1966		313,461	313,461
Contingency fund B for general insurance, cf. Section 138(2) of Act No. 630 of 23 December 1980		1,062,842	1,062,842
Contingency fund C for workers' compensation insurance		18,756	18,756
Contingency funds		1,395,059	1,395,059
Of which untaxed		1,395,059	1,395,059
21 Total equity			
Solvency margin and capital base:			
Calculated solvency margin		1,172,378	1,220,014
Capital base to cover the solvency margin		3,207,195	3,204,136
Capital base is calculated as follows:			
Equity		4,888,455	5,177,044
Proposed dividend		-300,000	-650,000
Equalisation reserves, credit and guarantee insurance		-59,211	-68,042
Value of intangible assets		-951,788	-917,131
Value of deferred tax assets		-72,314	-119,513
Solvency margin in subsidiaries		-105,894	-100,781
Proposed dividend in subsidiaries		-100,000	-
Deduction for discounting in the provision for outstanding claims		-86,088	-113,666
Deduction for discounting in the provision for outstanding claims in subsidiaries carrying on insurance business		-5,965	-3,775
Capital base to cover the solvency margin		3,207,195	3,204,136

Notes to the financial statements

Note	DKK '000	2013	2012
22 Pension obligations			
Pension obligations in Codan Forsikring are generally funded.			
In respect of defined contribution schemes, the employer is under an obligation to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the salary). In a defined contribution scheme, the company does not bear the risk in relation to future developments in interest rates, inflation, mortality and disability. This is opposed to defined benefit schemes, where the employer is under an obligation to pay a defined benefit (e.g. a fixed amount or a percentage of the final salary).			
Codan Forsikring has one pension obligation that is not fully funded to the surviving relative of a deceased former member of the Management Børge Warsberg.			
Present value of defined benefit schemes		638	794
Net liability recognised in the balance sheet		638	794
No assets have been separated to cover the pension obligation.			
Development in present value of defined benefit obligations:			
Pension obligations, beginning of the year		794	819
Calculated interest on obligation		12	5
Actuarial gains and losses		14	113
Benefits paid		-182	-143
Pension obligations, end of the year		638	794
Pension costs recognised in the income statement:			
Calculated interest on obligation		-12	-5
Total recognised for defined benefit schemes		-12	-5
Total recognised for defined contribution schemes		-167,342	-155,745
Pension costs recognised in the income statement		-167,354	-155,750
Assumptions used in the calculation of pension obligations:			
Calculated interest on the obligation is based on the Danish FSA's yield curve.			
The pension obligations are discounted using the Danish FSA's yield curve			
23 Other provisions			
Other provisions, beginning of the year		82,922	80,600
Used during the year		-9,762	-14,271
Reversal of unused provisions		-16	35
Provisions made during the year		16,453	16,558
Other provisions, end of the year		89,597	82,922
Other provisions		89,597	82,922

Notes to the financial statements

Note	DKK '000	2013	2012
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24 Total payables

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

Included in other payables are unsettled investment transactions etc. with DKK 201,667 thousand in 2013 (DKK 0 thousand in 2012).

25 Related parties

Information on related parties

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

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

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors and the Board of Management, executives, major shareholders or other related parties. The management remuneration is shown in Notes 7 and 26.

Related party transactions

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

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

The company has received intragroup contributions from related parties of DKK 24,651 thousand in 2013 (DKK 34,707 thousand in 2012).

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

Agreements on interest on inter-company balances on an arm's length basis were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 169 thousand in 2013 (DKK 319 thousand in 2012). Interest expense from Group entities amounted to DKK -43 thousand in 2013 (DKK -63 thousand in 2012).

Agreements on interest on loans on market-based conditions were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 22,772 thousand in 2013 (DKK 28,308 thousand in 2012).

The loan to Codan of DKK 1,000 million was sold to the sister company Codan Ejendomme II in 2013. The sale was financed through a new loan from Codan Forsikring to Codan Ejendomme II of DKK 1,000 million.

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

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

Notes to the financial statements

Note	DKK '000	2013	2012
25 Related parties (cont.)			
Business transactions with Group entities and associates included the following:			
Premiums ceded to reinsurers	-1,242,651	-1,637,584	
Claims paid, reinsurers' share	733,108	761,107	
Sale of reinsurance to Group entities	230,997	202,490	
Ceded reinsurance cover	-28,560	-18,958	
Reinsurance commissions and profit participation	404,171	460,651	
Commissions and profit participation for reinsurance	-14,213	-26,577	
Interest expenses, deposits with ceding undertakings	-32,946	-39,232	
Sale of services to Group entities	93,758	49,362	
Purchase of services from Group entities	-163,776	-141,240	
Sale of administrative services to Group entities	190,216	195,717	
		170,105	-194,264
26 Security			
The following assets are held under trust for the benefit of policyholders to cover technical provisions:			
Investments in Group entities	495,063	-	
Equity investments	-	45,626	
Units in open-ended funds	-	17,475	
Bonds	11,995,236	13,718,866	
Insurance assets etc.	1,953,463	2,025,866	
Cash and cash equivalents	-	351,146	
Interest receivable	193,168	211,946	
		14,636,930	16,370,925

Notes to the financial statements

Note	DKK '000	2013	2012
27 Contingent assets, contingent liabilities and financial liabilities			
Financial liabilities			
Operating lease commitments fall due within ten years and constitute:	315,781		282,396
Service agreements (IT and telephony)	233,500		234,520
Sponsorships	1,000		1,000
Guarantee in connection with the disposal of Group occupied property	-		29,000
Other guarantees	1,500		-
Commitment to invest in units in open-ended funds	65,217		94,431
Commitment to purchase investment property	13,829		300,699
		630,827	942,046

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

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

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

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

Likewise, the company is jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

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

Notes to the financial statements

Note

28 Incentive schemes

The RSA Group has four types of share based payment plans which are settled in the form of ordinary shares: the Long Term Incentive Plan (LTIP), the Sharesave Plan (SAYE), the Sharebuild Plan and the Executive Share Option Scheme (ESOS). The plans are all subject to different performance conditions and are based on shares in RSA Insurance Group plc. In addition, the RSA Group operates the Savings Related Share Option Plan providing all employees with the opportunity of buying shares in RSA Insurance Group plc. at a favourable price.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) for Executive Directors and other selected executives was adopted following approval obtained at the 2006 AGM. Awards have been made each year since 2006 following shareholder approval. The structure of the plan allows for a number of different types of awards to be made.

Voluntarily Invested Deferred Shares are purchased by participants from net bonus payable (limited to a maximum value of 33% of net bonus). Voluntarily Invested Deferred Shares are held in trust for three years. In addition, for senior executives, the Remuneration Committee may defer a portion of an individual's gross bonus (limited to 33% of that bonus) into an award over shares referred to for the purpose of the plan as Compulsory Deferred Shares.

Compulsory Deferred Share awards are normally forfeited on an employee leaving the Group. No further performance conditions apply. The Remuneration Committee may make a conditional award of shares on a 'matched' basis to Voluntarily Invested and Compulsory Deferred Shares ('Matching Shares') up to a maximum of 2:1 and these are normally forfeited on an employee leaving the Group. Additionally, the Remuneration Committee may make conditional awards of Performance Shares to senior executives and conditional awards of Restricted Shares to other executives and senior managers. Awards of Performance Shares and Matching Shares related to Compulsory Deferred Shares are subject to a performance condition consisting of a combination of a return on equity target and a total shareholder return target (with performance measured by comparison against other European insurance companies) over a single three year performance period. Matching Shares related to Voluntarily Invested Deferred Shares are subject only to the return on equity performance condition. Restricted Shares are not subject to performance conditions. All awards vest on the third anniversary of the date of grant to the extent that the performance conditions have been met. Performance Shares and Restricted Shares are normally forfeited on an employee leaving the Group.

Executive Share Option Plan

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

Share Matching Plan

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

Savings Related Share Option Plan

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

Notes to the financial statements

Note

28 Incentive schemes (continued)

Board of Directors and Board of Management

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

Participation of the CEO Vibeke Krag in incentive schemes at 31 December:

	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2012	124,031	1,130,232	185,851	1,701,595	8,998	95,549
Granted during the year	68,805	444,351	82,623	552,600	-	-
Outstanding at 31 December 2012	192,836	1,574,583	268,474	2,254,195	8,998	95,549
Correction, beginning balances	-35,976	-327,831	-	-	-	-
Granted during the year	46,220	356,602	83,734	634,285	-	-
Exercised during the year	-30,405	-311,356	-34,833	-343,889	-	-
Forfeited during the year	-17,713	-160,100	-68,178	-676,565	-	-
Outstanding at 31 December 2013	154,962	1,131,898	249,197	1,868,026	8,998	95,549

The value has been calculated as number of shares times the grant price at the exchange rate prevailing at the grant date.

Participation of former CEO Kim Hvirgel in incentive schemes at 31 December:

	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2012	105,166	846,982	-	-	6,624	58,954
Exercised during the year	-53,352	-426,917	-	-	-	-
Forfeited during the year	-36,863	-294,974	-	-	-6,624	-58,954
Outstanding at 31 December 2012	14,951	125,091	-	-	-	-
Correction, beginning balances	-14,951	-125,091	-	0	-	-
Outstanding at 31 December 2013	-	-	-	-	-	-

The value has been calculated as number of shares times the grant price at the exchange rate prevailing at the grant date.

Notes to the financial statements

Note

28 Incentive schemes (continued)

Employees with material influence on the company's risk profile

	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2012	1,133,559	8,732,783	197,572	1,644,756	89,004	945,124
Correction, beginning balances	58,428	855,884	-	-	-24,189	-256,860
Addition to group of persons	999,296	8,615,946	731,462	6,501,093	61,412	652,127
Resignations from group of persons	-861,017	-6,682,200	-	-	-9,651	-102,483
Granted during the year	608,158	3,907,279	367,077	2,510,563	-	-
Exercised during the year	-337,971	-2,974,883	-53,489	-428,014	-	-
Expired during the year	-6,287	-68,359	-	-	-	-
Forfeited during the year	-190,410	-1,572,107	-88,647	-709,344	-	-
Outstanding at 31 December 2012	1,403,756	10,814,343	1,153,975	9,519,054	116,576	1,237,908
Addition to group of persons	401,841	3,305,257	583,826	4,992,601	34,505	366,405
Resignations from group of persons	-27,496	-228,895	-	-	-6,000	-63,713
Granted during the year	706,125	5,445,408	796,122	6,026,492	-	-
Exercised during the year	-346,715	-3,335,818	-284,365	-2,816,511	-	-
Forfeited during the year	-192,147	-1,720,512	-347,136	-3,350,102	-16,541	-175,647
Outstanding at 31 December 2013	1,945,364	14,279,783	1,902,422	14,371,534	128,540	1,364,953

Two risktakers have shares in the ESOS scheme. Number of shares equals 13,200 at a value of DKK 117,032.

The value has been calculated as number of shares times the grant price at the exchange rate prevailing at the grant date.

29 Ownership information

Ownership

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

Group relationship

RSA Insurance Group plc., One Plantation Place, London, England prepares consolidated financial statements, in which Codan Forsikring is included as a subsidiary.