

Solvency Report *2016*

Extract of:
Solvency and Financial Condition Report
Forsikringselskabet Danica



Contents

Summary.....	2
Report content and structure.....	3

The following summary is a translation from the Danish SFCR report. The full report can be read in Danish on the Danica Pension website.

Summary

As of 2016, new common European rules have been introduced for how insurance companies in Europe must ensure adequate capital for pensions and payments in connection with illness, injuries and accidents – also called adequate solvency. In this connection, it has also become a requirement that all insurance companies every year must publicly describe how the companies have each complied with the rules.

The focus of the set of rules is on how the companies measure and control their risks.

A joint group report

This is the first report on solvency and financial situation from the Danica group. The basis in the report is the group's overall matters. Specific matters of individual companies in the group are only mentioned if there are significant deviations from the group.

In the interest of Danica's clients in Sweden and Norway, the report is also published in these countries. Certain matters, which from a group perspective are not significant, are mentioned in the report to create transparency for the Nordic clients.

The requirements are met

As it is stated in the report, the Danica group meets the requirements for adequate solvency and the Boards of Directors in the Danica companies have decided on a governance and management tool which ensures that there is sufficient capital to run the business on a reassuring basis.

Standard – with one exception

It is the assessment of the Danica group that the standard model indicated in the set of rules for calculation of the solvency requirement is appropriate for the business with a single exception.

Compared to the calculation of the longevity risk, the standard model does not entirely match the way the accounting treatment is of this risk in the insurance provisions. Therefore, it has been chosen to develop an internal model for this calculation in the Danish life and pensions company, Danica Pension. The internal model ensures that, in general, a longevity risk is recognised which corresponds to the standard model.

Values according to recognised methods

The method for calculation of the solvency requirement is modularly structured and incorporates all aspects of the group's activities. As for parts of the calculations, the values cannot be read on a market. In these cases, the values are either based on rules laid down by the supervisory authorities or in accordance with internationally recognised financial and insurance technical methods.

Report content and structure

The report consists of five chapters:

- Chapter A – Company and result
- Chapter B – Management system
- Chapter C – Risk profile
- Chapter D – Valuation for solvency purposes
- Chapter E – Asset management

Chapter A contains an overview of the group and its activities and results. For a more elaborate review, we refer to the group's financial statements.

Chapter B gives an overview of set-up of the management system with respect to overview of and control with the group's risks. The new rules impose requirements on the establishment and the operation of four key functions: risk management, compliance, actuarial function and internal audit. In the chapter, it is reviewed how the Danica group has implemented these functions.

Chapter C is a central chapter for the report in which all the group's risks are described, including how these are measured and handled, and it is an important basis for chapter E on asset management where the group's capital structure and strength are reviewed.

In chapter D, the differences between valuation methods are explained by statement of assets and liabilities to be used for the statement of solvency requirements and in the financial statements. At the same time, the valuation methods used are explained if these have not been provided from the supervisory authorities or cannot be read in a market.

Publication of reports

With the new common European rules, there are now extended requirements for the reports which the companies have to send to the Financial Supervisory Authorities. A part of these reports must be made publicly available together with this report. In appendix 1, there is an overview of these reports with related links.

In appendix 2, there is an overview of definitions and descriptions used in this report.