



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 995 125 218  
Organisasjonsform: Norskreg. utenlandsk foretak  
Foretaksnavn: ALPHA INSURANCE  
Forretningsadresse: c/o Nemi Forsikring AS  
Østensjøveien 43  
0667 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Bo Skifting  
Dato for fastsettelse av årsregnskapet: 26.04.2017

### Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert  
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 12.08.2019



## Resultatregnskap

Beløp i: DKK	Note	2016	2015
<b>TEKNISK REGNSKAP FOR SKADEFORSIKRING</b>			
Opptjente bruttopremier	1.3	1 283 096 000	1 342 274 000
Gjenforsikringsandel av opptjente bruttopremier		598 913 000	650 849 000
<b>Sum premieinntekter for egen regning</b>		<b>684 183 000</b>	<b>691 425 000</b>
Andre forsikringsrelaterte inntekter		14 497 000	24 911 000
<b>Erstatningskostnader</b>			
Brutto erstatningskostnader		1 127 249 000	947 437 000
Gjenforsikringsandel av brutto erstatningskostnader		694 855 000	584 135 000
<b>Sum erstatningskostnader for egen regning</b>		<b>432 394 000</b>	<b>363 302 000</b>
<b>Forsikringsrelaterte driftskostnader</b>			
Salgskostnader		353 080 000	351 803 000
Forsikringsrelaterte administrasjonskostnader inkl. provisjoner for 4 mottatt gjenforsikring		92 254 000	80 878 000
Mottatte provisjoner for avgitt gjenforsikring og gevinstandeler		146 439 000	121 837 000
<b>Sum forsikringsrelaterte driftskostnader</b>	3	<b>298 895 000</b>	<b>310 844 000</b>
Andre forsikringsrelaterte driftskostnader			
<b>Resultat av teknisk regnskap</b>		<b>-32 609 000</b>	<b>42 190 000</b>
<b>IKKE-TEKNISK REGNSKAP</b>			
<b>Netto Inntekter fra investeringer</b>			
Inntekter fra investeringer i datterforetak, tilknyttede foretak og felleskontrollerte foretak		625 000	389 000
Renteinntekt og utbytte m.v. på finansielle eiendeler		14 629 000	17 166 000
Verdiendringer på investeringer		31 312 000	-5 610 000
Administrasjonskostnader knyttet til investeringer, herunder rentekostnader		14 973 000	15 415 000
<b>Sum netto inntekter fra investeringer</b>		<b>31 593 000</b>	<b>-3 470 000</b>
<b>Andre inntekter og kostnader</b>			
Andre inntekter			664 000



## Resultatregnskap

<b>Beløp i: DKK</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Andre kostnader		240 000	
<b>Resultat av ikke-teknisk regnskap</b>		<b>31 353 000</b>	<b>-2 806 000</b>
<b>Resultat før skattekostnad</b>		<b>-1 256 000</b>	<b>39 384 000</b>
Skattekostnad	6	2 120 000	9 833 000
<b>Resultat før andre resultatkomponenter</b>		<b>-3 376 000</b>	<b>29 551 000</b>
Valutakursdifferanser fra utenlandsk virksomhet	5	3 131 000	13 461 000
Andel av andre resultatkomponenter ved anvendelse av egenkapitalmetoden		-16 340 000	-64 413 000
<b>Totalresultat</b>		<b>-16 585 000</b>	<b>-21 401 000</b>



## Balanse

Beløp i: DKK	Note	2016	2015
<b>BALANSE - EIENDELER</b>			
<b>Immaterielle eiendeler</b>			
Andre immaterielle eiendeler	7	17 982 000	17 702 000
<b>Sum immaterielle eiendeler</b>		<b>17 982 000</b>	<b>17 702 000</b>
<b>Investeringer</b>			
<b>Bygninger og andre faste eiendommer</b>		<b>0</b>	<b>0</b>
Aksjer og andeler i datterforetak, tilknyttede foretak og felleskontrollerte foretak	9,10	161 835 000	178 605 000
<b>Datterforetak, tilknyttede foretak og felleskontrollerte foretak</b>		<b>161 835 000</b>	<b>178 605 000</b>
<b>Finansielle eiendeler som måles til amortisert kost</b>		<b>0</b>	<b>0</b>
Aksjer og andeler (inkl. aksjer og andeler målt til kost)		130 572 000	67 201 000
Obligasjoner og andre verdipapirer med fast avkastning		359 983 000	414 096 000
Andre finansielle eiendeler		76 509 000	51 497 000
<b>Finansielle eiendeler som måles til virkelig verdi</b>		<b>567 064 000</b>	<b>532 794 000</b>
<b>Sum investeringer</b>		<b>728 899 000</b>	<b>711 399 000</b>
<b>Gjenforsikringsandel av brutto forsikringsforpliktelser</b>			
Gjenforsikringsandel av ikke opptjent bruttopremie		91 871 000	117 284 000
Gjenforsikringsandel av brutto erstatningsavsetning	15	985 774 000	884 551 000
<b>Sum gjenforsikringsandel av brutto forsikringsforpliktelser</b>		<b>1 077 645 000</b>	<b>1 001 835 000</b>
<b>Fordringer</b>			
Forsikringstakere		343 912 000	358 898 000
Mellommenn		13 165 000	17 383 000
<b>Fordringer i forbindelse med direkte forretninger</b>		<b>357 077 000</b>	<b>376 281 000</b>
Fordringer i forbindelse med gjenforsikring		311 185 000	148 615 000
Andre fordringer		51 362 000	46 899 000
<b>Sum fordringer</b>		<b>719 624 000</b>	<b>571 795 000</b>
<b>Andre eiendeler</b>			
Anlegg og utstyr	8	998 000	481 000
Kasse, bank		14 000	12 000
Eiendeler ved skatt	6	548 000	2 667 000
Andre eiendeler betegnet etter sin art		419 000	
<b>Sum andre eiendeler</b>		<b>1 979 000</b>	<b>3 160 000</b>



## Balanse

Beløp i: DKK	Note	2016	2015
Opptjente, ikke mottatte leieinntekter		3 640 000	4 361 000
Forskuddsbetalte direkte salgskostnader		14 309 000	16 926 000
<b>Sum forskuddsbetalte kostnader og opptjente ikke mottatte inntekter</b>		<b>17 949 000</b>	<b>21 287 000</b>
<b>SUM EIENDELER</b>		<b>2 564 078 000</b>	<b>2 327 178 000</b>
<b>EGENKAPITAL OG FORPLIKTELSER</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital/eierandelskapital/garantifond		75 000 000	75 000 000
Beholdning av egne aksjer/egenkapitalbevis		141 500 000	141 500 000
<b>Selskapskapital</b>		<b>216 500 000</b>	<b>216 500 000</b>
Egenkapitalandel av sammensatte finansielle instrumenter og andre egenkapitalinstrumenter			20 266 000
<b>Sum innskutt egenkapital</b>		<b>216 500 000</b>	<b>236 766 000</b>
<b>Opptjent egenkapital</b>			
<b>Fond m.v.</b>			
Annen opptjent egenkapital		70 117 000	67 114 000
<b>Sum opptjent egenkapital</b>		<b>70 117 000</b>	<b>67 114 000</b>
<b>Sum egenkapital</b>	11	<b>286 617 000</b>	<b>303 880 000</b>
Annen ansvarlig lånekapital	12	148 688 000	149 250 000
<b>Sum ansvarlig lånekapital m.v.</b>		<b>148 688 000</b>	<b>149 250 000</b>
<b>Forsikringsforpliktelser brutto</b>			
Avsetning for ikke opptjent bruttopremie		272 197 000	239 281 000
Brutto erstatningsavsetning	14	1 537 991 000	1 421 246 000
<b>Sum forsikringsforpliktelser brutto</b>		<b>1 810 188 000</b>	<b>1 660 527 000</b>
<b>Avsetninger for forpliktelser</b>			
<b>Forpliktelser ved skatt</b>			
Andre avsetninger for forpliktelser		115 000	
<b>Sum avsetninger for forpliktelser</b>		<b>115 000</b>	<b>0</b>



## Balanse

<b>Beløp i: DKK</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Premiedepot fra gjenforsikringsselskaper		8 917 000	26 180 000
Forpliktelse i forbindelse med direkte forsikring		32 090 000	13 594 000
Forpliktelse i forbindelse med gjenforsikring		174 274 000	96 777 000
Forpliktelse til kredittinstitusjoner		28 434 000	23 302 000
Andre forpliktelse		74 755 000	53 668 000
<b>Sum forpliktelse</b>		<b>309 553 000</b>	<b>187 341 000</b>
<b>Påløpte kostnader og mottatte ikke opptjente inntekter</b>			
<b>Sum påløpte kostnader og mottatte ikke opptjente inntekter</b>		<b>0</b>	<b>0</b>
<b>SUM EGENKAPITAL OG FORPLIKTELSER</b>		<b>2 564 078 000</b>	<b>2 327 178 000</b>



**Alpha Insurance A/S**  
CVR-No. 21 06 44 40

**Annual Report for 2016**

The Annual Report has been presented  
and approved at the Annual General  
Meeting of the Company  
on ~~20~~<sup>21</sup>/<sub>9</sub> 2017

  
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(Chairman)



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Company Information

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**Company Information**

<b>The Company</b>	Alpha Insurance A/S c/o Harbour House Sundkrogsgade 21 DK-2100 København Ø
	Telephone: +45 70 25 25 95 Fax: +45 70 26 25 95
	Registration No.: 21 06 44 40 Established: 1 July 1998 Financial year: 1 January - 31 December
<b>Board of Directors</b>	Morten Helge (Chairman) Bo Lundqvist (Deputy Chairman) Jens Erik Christensen Thomas Dahl Fredslund Bjarke Sanbeck Nilsson
<b>Board of Executives</b>	Leif Corinth-Hansen
<b>Auditor</b>	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø



### Management's Report

#### Main activity

Alpha Insurance A/S is licensed to write almost all classes of general insurance business in most Western European countries.

Alpha Insurance Group consists of Alpha Insurance A/S, Nemi Forsikring AS (Norway) and a branch office in Norway. Alpha Insurance A/S owns 100% of the companies in the group.

#### Annual Report 2016

Alpha Insurance A/S is a 100% owned subsidiary of Alpha Holding A/S.

#### The result of the year and development of the company

The financial year 2016 resulted in a result after tax for the Alpha Insurance Group of DKK -16.6 million against a result after tax of DKK -21.4 million in 2015. The technical result for the group is DKK -67.6 million in 2016 compared to DKK -7.8 million in 2015. The technical result for the parent (Alpha Insurance A/S incl. Norwegian branch) was DKK -32.6 million in 2016 against DKK 42.2 million in 2015. The technical result for 2016 was lower than expected in last years section "Expectations to 2016".

The technical result was affected negative by more than DKK 200 million to strengthen the Norwegian workers compensation provisions and as a result of change in the Ogden rate for discounting UK personal injury claims.

Return on investments for the group was DKK 6.8 million in 2016 against DKK 16.7 million in 2015.

The net profit for the year 2016 of DKK -16.6 million is not satisfactory.

#### New Executive Order on accounting

The new executive order comprises changes to the accounting for and measurement of insurance contracts, hereunder introducing the new terms risk margin on insurance contracts and future profit margin on insurance contracts. The executive order also includes changes to the presentation in the financial statements and the introduction of a new interest rate curve, calculated by the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

The change in accounting policies related to future profit margin has had no effect on the income, total assets or equity at 31.12.2015 or 31.12.2016. In 2015, DKK 21.1 million (Group DKK 14.7 million) was reclassified from "Change in premium reserve" to "Change in future profit and risk margin". At 31.12.2015, DKK 55.9 million (Group DKK 59.6 million) was reclassified from "Premium provisions, gross" to "Future profit".

In 2015, the change in accounting policies related to risk margin has increased the "Net profit before tax" by DKK 3.3 million (Group DKK 2.3 million) and the "Net profit for the year" by DKK 0.7 million (Group 0.5 million). At 01.01.2015, the equity was decreased by DKK 37.5 million (Group DKK 37.5 million) and the total assets by DKK 7.3 million (Group DKK 2.7 million). In 2016, the "Change in risk margin" increased the "Net profit before tax" by DKK 2.1 million (Group DKK 6.4 million) and the "Net profit for the year" and equity at 31.12.2016 by DKK 0.5 million (Group DKK 1.4 million).

#### Equity and solvency

Alpha Insurance A/S equity as at 31 December 2016 amounts to DKK 286.6 million. An equity decrease of DKK 17.3 million compared to 31 December 2015.

The solvency requirement of Alpha Insurance A/S calculated in accordance with the Financial Supervisory Authority rules amounts to DKK 213.7 million at 31 December 2016 against DKK 144.9 million at 31 December 2015 (Solvency I). The eligible own funds to meet the SCR amounts to 468.3 million. This means that the Financial Supervisory Authority's required solvency margin is covered 2.2 times (2.1 times in 2015).



### Management's Report

#### Solvency II

The European regulation to enhance consumer protection in insurance, Solvency II, came operational from January 1, 2016. The Solvency II framework has three main areas (pillars):

Pillar 1 consists of the quantitative requirements including the amount of capital an insurer should hold

Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers

Pillar 3 focuses on disclosure and transparency requirements

The Company has implemented the new regulation in force until now, including the calculation of the Solvency Capital Requirement by the Standard Formula of Solvency II. In the second half of 2016, 2017 and 2018 the last parts of Pillar 3 is to be reported, and the Company are currently preparing the reporting and disclosure.

	Parent	
	Day 1 -2016	2016
	DKK million	DKK million
Solvency requirement (SCR)	220	214
Total eligible own funds to meet the SCR	462	468
Solvency ratio	2.1	2.2

#### Dividend

The Board of Directors proposes no dividends for 2016.

#### Insurance activities

In 2016, the gross premium income increased by DKK 35.9 million (2.0%) to DKK 1,817.9 million. Insurance premiums ceded decreased in 2016 by 0.5%, which resulted in premium income for own account increasing from DKK 775.0 million in 2015 to DKK 816.2 million in 2016, an increase of DKK 41.2 million.

Gross claims incurred amounted to DKK 1,524.8 million in 2016 compared to DKK 1,275.2 million in 2015. Recoveries from reinsurers increased by DKK 145.6 million (17.4%) compared with 2015. Costs of claims net of reinsurance increased by DKK 104.0 million to DKK 542.4 million.

The insurance operating cost decreased by DKK 15.3 million compared to 2015. In 2016, the insurance operating costs amounted to DKK 355.8 million compared to DKK 371.1 million in 2015.

The combined ratio has increased to 103.7 in 2016 from 100.5 in 2015. The increased combined ratio stems from an increased gross claim ratio of 83.2 compared to 70.6 in 2015 and a increase in the expense ratio from 32.6 in 2015 to 33.2 in 2016 and a decrease in reinsurance ratio from -2.7 in 2015 to -12.7 in 2016.

#### Development in subsidiary companies

##### *Nemi Forsikring AS*

Nemi Forsikring AS is a Norwegian general insurance company, which provides commercial and private insurance policies in Norway.

The result of Nemi Forsikring AS is a loss of DKK -16.3 million in 2016 compared to a loss of DKK -63.4 million in 2015.

The 2016 result is not satisfactory.



## Management's Report

### *Branch office*

The Norwegian branch office had a loss of DKK -6.6 million in 2016 compared to a profit of DKK 8.8 million in 2015.

### **Investment business**

The company's investment business consists of investment in subsidiary companies and associated companies as well as investment in other financial assets.

Alpha Insurance A/S operates with a careful investment strategy and investments are mainly made in AAA-rated government bonds and AAA-rated listed mortgage credit bonds. In 2016, the return on investments after insurance technical interest was a profit of DKK 6.8 million against a profit of DKK 16.7 million in 2015.

### **Unusual circumstances**

The annual report is not affected by unusual circumstances.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

### **Expectation for 2017**

Alpha Insurance A/S expects a positive development of the company's activity level with an increase in premium income, as well as a satisfactory insurance result for 2017.

### **Risk Management**

Management and minimizing of business risks is an important and fundamental part of how the company conducts its business and the company's Board of Directors sets the overall risk policy. The company's management and minimizing of business risks is divided into the following general categories:

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

### *Financial Risk*

The company's target is to maintain adequate capital to absorb the risks that arise from the company's operations. The company has no interest in accumulating capital in excess of what is required for operations and for natural growth, as this would be an inefficient way of hedging risk.

It is the company's policy to hedge against risks arising from the company's activities or to limit such risks to a level that allows the company to maintain normal operations and implement its planned measures even in the case of highly unfavourable developments.

The Board of Directors determines the overall risk policies and limits.



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## Management's Report

### *Insurance Risk*

The insurance risks assumed include the acceptance and follow-up of policies, claims handling, reserving risk and reinsurance risk. The company assesses insurance risk based on statistical risk type analyses, which are incorporated in pricing. To limit the risk the company has established necessary and relevant procedures for all major business processes and implements follow-ups and control hereof. The financial statement is influenced by estimates that affect assets, debt, and the result for the period and future periods. The estimates are most important for premium and claims provisions, especially for the branches with long tail business such as Workmens Compensation Insurance.

The size of the claims reserves to cover future payment of losses that have occurred is determined both through individual assessment of each claim and actuarial calculations.

An important part of the company's risk management is the use of reinsurance. In order to have sufficient protection against natural disaster risks, this exposure is measured constantly. The company's retention is limited to a maximum of 10% of its capital.

### *Market Risk*

Market risk represents the risk of losses due to changes in the market value of the company's assets and liabilities, as a result of changes in market conditions. Market risk includes among other elements, changes in interest rates, equities and currencies.

The limits for these financial risks are fixed by the Financial Supervisory Board. In practice, the Company handles the investment portfolio, both in relation to the liquidity as well as the long term investments. There are established policies and procedures for the maximum investment risk and there is monthly reporting to the Board of Directors and the Management.

### *Credit risk*

Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations.

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

To limit the risk in the investment business the investments are made in bonds and shares with high credit ratings, which is also the case for deposits with credit institutions.



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## Management's Report

### *Operational risk*

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

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

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

The Company's business continuity plan and IT safety plan have been approved by the Financial Supervisory Authority and reviewed by the Company's auditors.

The Board of Directors have decided that the entire Board of Directors will be members of the Accounting Committee.

In compliance with Section 31 in the Accountants Act, it is decided that the Board of Directors will take care of the business in the Audit Committee.

In accordance with Section 5, in the Statutory for Audit Committees, the Board of Directors has appointed Mr. Jens Erik Christensen to ensure the fulfillment of the regulatory requirements regarding independence and accounting qualifications based on his work as director for many years in financial and listed companies.

### **Board of Directors organization**

Every year the Board of Directors evaluates their work and qualifications to ensure that all members of the Board of Directors are sufficiently competent and skilled. The Board of Directors is specially focused on qualifications for: management experience, economic experience, insurance experience, accounting experience, finance experience, experience of Mergers and Acquisitions and international experience. For diversity the Board of Directors has decided on the strategy that 10 % of the members of the Board of Directors should be women within a period of 4 years.

### **Wage policy**

The Board of Directors decides the wage policy for Alpha Group. The Group only uses fixed salaries. Extraordinary efforts can be paid by one-off fees or bonuses. If a member of the Board, the CEO or another person receives a one-off fee, this fee will be settled according to Section 77a of the Financial Act. The Board of Directors decides the wage policy once a year.

### **Employees training and knowledge**

Alpha Insurance A/S aims to ensure that the management of the organization is based on a framework which includes the deep rooting of common values, a common business understanding and the shared responsibility for creating value for customers by differentiating itself from competitors through the development of the employees. The company aims to be a dynamic company where each employee is committed, seeks influence and assumes independent responsibility for the organization and execution of his or her duties. In developing our business, it is essential that we are able to attract and retain qualified employees.



## Management's Report

### Supplementary information

Members of the Board of Directors and the Board of Executives also participate in the management of the following companies:

*Bo Lundqvist:*

Ahpla ApS, Alpha Holding A/S, Alpha Sales Group A/S, Beta Re GmbH, Bo Lundqvist Holding ApS and Tappaz ApS.

*Leif Corinth-Hansen:*

Ahpla ApS, Alpha Holding A/S, Beta Re GmbH and Famco-Ha ApS.

*Morten Helge:*

Alpha Holding A/S and Beta Re GmbH

*Thomas Dahl Fredslund:*

Alpha Holding A/S

*Bjarke Sanbeck Nilsson:*

Alpha Holding A/S, Slotsholm A/S and Loop Associates A/S.

*Jens Erik Christensen:*

Alpha Holding A/S, Nemi Forsikring AS, Andersen & Martini A/S, Andersen & Martini Biler A/S, Hugin Experts A/S, Mediaxes A/S, Behandlingsvejviseren A/S, P/F Nordikliv Livstryggingarfelag, P/F Trygd Tryggingarfelag, Vestjysk Bank A/S, Skandia A/S, Skandia Link Livsforsikring A/S, Skandia Asset Management Fondsmæglerselskab A/S, TIP ApS, Prime Office A/S, Dansk Merchant Capital A/S, Nordic Corporate Investment A/S, EcsAct A/S, Sapere Aude ApS, Helsemin A/S.



Financial Highlights

Financial Highlights, Parent company

DKK Million	2016	2015	2014	2013	2012
Gross premium income	1.283	1.342	1.557	1.543	1.462
Gross claims incurred	-1.127	-947	-1.024	-810	-840
Bonus and premium discounts	14	25	7	-6	-19
Total insurance operating, costs, net of reinsurance	-299	-311	-303	-387	-310
Result of ceded business	242	55	-41	-95	-48
Insurance technical result	-33	42	39	54	67
Result on investments after insurance technical interest	18	-54	-51	43	-38
Net profit for the year	-17	-21	-11	84	21
Run-off result	-112	-10	-59	26	-21
Total insurance technical provisions	1.810	1.661	1.663	1.474	1.613
Total insurance assets	1.078	1.002	931	789	742
Total equity	287	304	388	418	364
Total assets	2.564	2.327	2.609	2.427	2.443
<b>Key figures:</b>					
Gross claims ratio	86,9%	69,3%	65,5%	52,7%	58,2%
Expense ratio	34,3%	31,7%	29,4%	37,6%	33,2%
Reinsurance ratio	-18,7%	-4,0%	2,6%	6,2%	3,5%
Combined ratio	102,6%	96,9%	97,5%	96,5%	94,9%
Operating ratio	102,6%	96,9%	97,5%	96,5%	95,3%
Relative run off results	-22,2%	-11,0%	-11,0%	3,2%	-3,3%
Return on equity in percent	-5,8%	-6,1%	-2,7%	21,4%	5,9%
Solvency coverage	219%	205%	175%	198%	184%

**Definition**

Gross claim ratio

(Gross claims paid / Gross premium income+Bonus and premium discounts) \* 100

Expense ratio

(Total insurance operating costs / Gross premium income+Bonus and premium discounts) \* 100

Reinsurance ratio

(Result of ceded business / Gross premium income+Bonus and premium discounts) \* 100

Combined ratio

(Gross claims ratio + Expense ratio + Reinsurance ratio)

Operation ratio

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

Relative run-off results

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

Return on equity

(Results for the year / the average equity) \* 100

Solvency coverage

(The eligible own funds to meet the SCR / Solvency Capital Requirement (SCR))



Financial Highlights

Financial Highlights, Group

DKK Million	2016	2015	2014	2013	2012
Gross premium income	1.818	1.782	1.984	1.988	1.907
Gross claims incurred	-1.525	-1.275	-1.351	-1.178	-1.198
Bonus and premium discounts	14	25	6	-6	-19
Total insurance operating, costs, net of reinsurance	-356	-371	-380	-473	-401
Result of ceded business	233	48	-39	-39	-42
Insurance technical result	-68	-8	4	67	33
Result on investments after insurance technical interest	38	10	-18	9	-5
Net profit for the year	-17	-21	-11	84	21
Run-off result	-101	-13	-63	47	-40
Total insurance technical provisions	2.269	2.096	2.028	2.128	2.323
Total insurance assets	1.335	1.251	1.174	973	903
Total equity	287	304	388	418	364
Total assets	3.121	2.837	3.127	3.094	3.179

Key figures:

Gross claims ratio	83,2%	70,6%	67,9%	59,4%	63,5%
Expense ratio	33,2%	32,6%	30,2%	35,8%	32,7%
Reinsurance ratio	-12,7%	-2,7%	2,0%	2,0%	2,2%
Combined ratio	103,7%	100,5%	100,1%	97,2%	98,4%
Operating ratio	103,7%	100,4%	99,8%	96,6%	98,2%
Relative run off results	-16,8%	-2,0%	-10,8%	4,5%	-4,1%
Return on equity in percent	-5,8%	-6,1%	-2,7%	21,4%	5,9%
Solvency coverage	199%	205%	175%	198%	184%

Definition

Gross claim ratio

$(\text{Gross claims paid} / \text{Gross premium income} + \text{Bonus and premium discounts}) * 100$

Expense ratio

$(\text{Total insurance operating costs} / \text{Gross premium income} + \text{Bonus and premium discounts}) * 100$

Reinsurance ratio

$(\text{Result of ceded business} / \text{Gross premium income} + \text{Bonus and premium discounts}) * 100$

Combined ratio

$(\text{Gross claims ratio} + \text{Expense ratio} + \text{Reinsurance ratio})$

Operation ratio

$(\text{Combined ratio where the allocated return on investments is added to the premium income})$

Relative run-off results

$(\text{Run-off results compared to reserves as at the beginning of the run off})$

Return on equity

$(\text{Results for the year} / \text{the average equity}) * 100$

Solvency coverage

$(\text{The eligible own funds to meet the SCR} / \text{Solvency Capital Requirement (SCR)})$



Statement by the Management on the Annual Report

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Alpha Insurance A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Business Act.

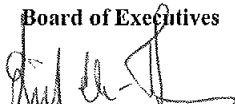
It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position. It is also our opinion that the Management's review gives a true and fair view of developments in the Group's and the Parent Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

We recommend that the annual report be approved at the annual general meeting.

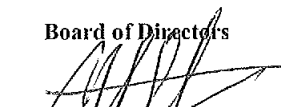
Copenhagen, 26 April 2017

Board of Executives




Leif Corinth-Hansen


Board of Directors



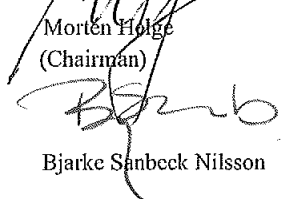
Morten Hølge  
(Chairman)



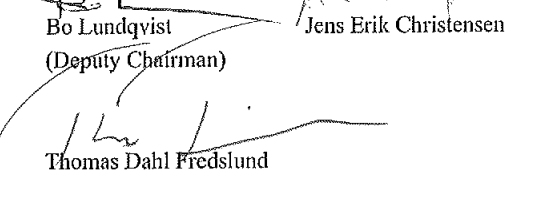
Bo Lundqvist  
(Deputy Chairman)



Jens Erik Christensen



Bjarke Sanbeck Nilsson



Thomas Dahl Fredslund



Statement by the Management on the Annual Report

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**Independent auditor's report**

**To the shareholders of Alpha Insurance A/S**

**Opinion**

1 January – 31 December 2016 comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's responsibility for the financial statements**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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



Statement by the Management on the Annual Report

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**Independent auditor's report**

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

We also,

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

**Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.



Statement by the Management on the Annual Report

**Independent auditor's report**

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

**Solvency ratio**

Management is responsible for the key figure solvency ratio evident from the financial highlights on page 10 of the annual report.

The key figure solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the financial statements does not include the key figure solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to consider whether the key figure solvency ratio is materially inconsistent with the financial statements or our knowledge obtained during our audit or otherwise appears to be materially misstated.

If on this basis we conclude that the key figure solvency ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

Copenhagen, 26 April 2017

**KPMG**

Statsautoriseret Revisionspartnerselskab  
Registration No.: 25 57 81 98

Henrik O. Larsen  
State Authorised Public Accountant

Mark Palmberg  
State Authorised Public Accountant



Financial Statements 1 January - 31 December 2016

Income Statement for 1 January - 31 December

Parent company		Note		Group	
2015	2016			2016	2015
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)	
1,247,446	1,370,281	1.3	Gross premiums	1,926,755	1,728,934
-579,603	-617,794		Insurance premiums ceded	-1,031,013	-938,530
73,711	-53,551		Change in premium reserve	-40,868	38,404
			Change in future profit and risk margin	-67,942	14,688
-71,246	18,881		Change in reinsurer's share of premium provisions	29,290	-68,512
<u>691,425</u>	<u>684,183</u>		<b>Premium income, net of reinsurance</b>	<u>816,222</u>	<u>774,984</u>
<u>-208</u>	<u>-</u>		<b>Insurance technical interest</b>	<u>-</u>	<u>1,492</u>
-1,017,942	-851,888		Gross claims paid	-1,231,491	-1,286,805
441,195	509,559		Reinsurance cover received	773,149	670,207
67,202	-277,509		Change in gross claims provisions	-299,725	9,347
3,303	2,148		Change in risk margin	6,438	2,288
142,940	185,296		Change in reinsurers' share of claims provisions	209,202	166,518
<u>-363,302</u>	<u>-432,394</u>		<b>Cost of claims, net of reinsurance</b>	<u>-542,427</u>	<u>-438,445</u>
<u>25,119</u>	<u>14,497</u>		<b>Bonus and premium discounts</b>	<u>14,471</u>	<u>25,288</u>
-351,803	-353,080		Acquisition costs	-422,459	-406,788
-80,878	-92,254	4	Administrative expenses	-185,823	-182,415
121,837	146,439		Reinsurance commissions and profit participations with reinsurers	252,466	218,123
<u>-310,845</u>	<u>-298,895</u>		<b>Insurance operating costs, net of reinsurance</b>	<u>-355,816</u>	<u>-371,080</u>
<u>42,189</u>	<u>-32,609</u>	3	<b>Insurance technical result</b>	<u>-67,550</u>	<u>-7,762</u>





Financial Statements 1 January - 31 December 2016

Total income for 1 January - 31 December

Parent company			Group	
2015	2016		2016	2015
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)
-21,401	-16,585	Net profit for the year	-16,585	-21,401
-13,835	10,569	Currency adjustments in affiliated companies abroad	10,569	-13,835
-9,025	-11,247	Adjustment to the opening balance in affiliated company	-11,247	-9,025
-22,860	-678	Other total income	-678	-22,860
<u>-44,261</u>	<u>-17,263</u>	Total income for the year	<u>-17,263</u>	<u>-44,261</u>



Financial Statements 1 January - 31 December 2016

**Balance Sheet as at 31 December**

**Assets**

Parent company		Note	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
17,702	17,982		42,376	36,635
<u>17,702</u>	<u>17,982</u>	7	<u>42,376</u>	<u>36,635</u>
481	998		4,153	4,193
<u>481</u>	<u>998</u>	8	<u>4,153</u>	<u>4,193</u>
177,792	160,772	9	-	-
813	1,063	10	1,063	813
<u>178,605</u>	<u>161,835</u>		<u>1,063</u>	<u>813</u>
414,096	359,983		474,079	560,044
51,497	76,509		110,943	86,069
67,201	130,572		130,866	67,512
<u>532,794</u>	<u>567,064</u>		<u>715,888</u>	<u>713,625</u>
<u>711,399</u>	<u>728,899</u>		<u>716,951</u>	<u>714,438</u>
117,284	91,871		209,940	250,335
884,551	985,774	15	1,125,266	1,000,196
<u>1,001,835</u>	<u>1,077,645</u>		<u>1,335,206</u>	<u>1,250,531</u>



Financial Statements 1 January - 31 December 2016

Balance Sheet as at 31 December

Parent company		Note	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
			Assets	
358,898	343,912		578,450	535,391
17,383	13,165		13,165	17,383
<b>376,281</b>	<b>357,077</b>		<b>591,615</b>	<b>552,774</b>
113,992	259,707		266,513	128,497
34,623	51,478		43,516	32,155
46,899	51,362		53,295	48,784
<b>195,514</b>	<b>362,547</b>		<b>363,324</b>	<b>209,436</b>
<b>1,573,630</b>	<b>1,797,269</b>		<b>2,290,145</b>	<b>2,012,741</b>
-	419		419	-
2,667	548	6	30,458	26,726
12	14		14	12
-	-		4,836	4,587
<b>2,679</b>	<b>981</b>		<b>35,727</b>	<b>31,325</b>
4,361	3,640		3,639	4,717
16,926	14,309		28,126	33,051
<b>21,287</b>	<b>17,949</b>		<b>31,765</b>	<b>37,768</b>
<b>2,327,178</b>	<b>2,564,078</b>		<b>3,121,117</b>	<b>2,837,100</b>



Financial Statements 1 January - 31 December 2016

Balance Sheet as at 31 December

Liabilities and equity

Parent company		Note	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
75,000	75,000		75,000	75,000
141,500	141,500		141,500	141,500
20,266	-		-	20,266
67,114	70,117		70,117	67,114
<b>303,880</b>	<b>286,617</b>	11	<b>286,617</b>	<b>303,880</b>
<b>149,250</b>	<b>148,688</b>	12	<b>148,688</b>	<b>149,250</b>
183,367	182,649		353,722	394,780
55,914	89,548		127,382	59,617
1,388,996	1,507,889	14	1,752,122	1,599,616
32,250	30,102		35,676	42,256
<b>1,660,527</b>	<b>1,810,188</b>		<b>2,268,902</b>	<b>2,096,269</b>
-	-	6	-	-
-	-		2,354	2,208
-	115		115	-
-	<b>115</b>		<b>2,469</b>	<b>2,208</b>
<b>26,180</b>	<b>8,917</b>		<b>12,325</b>	<b>26,180</b>



Financial Statements 1 January - 31 December 2016

**Balance Sheet as at 31 December**

**Liabilities and equity**

Parent company		Note	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
13,594	32,090		50,797	23,293
96,777	174,274		186,633	120,370
23,302	28,434		28,434	23,302
-	-		-	-
9,506	-		-	9,506
<u>44,162</u>	<u>74,755</u>		<u>91,980</u>	<u>51,176</u>
<u>187,341</u>	<u>309,553</u>		<u>357,844</u>	<u>227,647</u>
-	-		<u>44,272</u>	<u>31,666</u>
<u>2,327,178</u>	<u>2,564,078</u>		<u>3,121,117</u>	<u>2,837,100</u>

- 13 Information on staff and remuneration
- 16 Contingent liabilities, guarantee commitments etc.
- 17 Related parties etc.
- 18 Risk and information in sensitivity
- 19 Other notes information



Financial Statements 1 January - 31 December 2016

Equity

(DKK '000) Parent company	Share Capital	Reserve on issued shares	Reserve equity method	Equalisa- tion reserve	Retained earnings	Total
<b>Equity 1 January 2015</b>	<b>75,000</b>	<b>141,500</b>	<b>31,161</b>	<b>6,983</b>	<b>133,067</b>	<b>387,711</b>
Change in accounting policy	-	-	-8,991	-	-28,458	-37,449
<b>Adjusted Equity 1 January 2015</b>	<b>75,000</b>	<b>141,500</b>	<b>22,170</b>	<b>6,983</b>	<b>104,609</b>	<b>350,262</b>
Adjustment to the opening balance in affiliated company	-	-	-5,849	-	5,815	-34
Currency adjustments in affiliated companies	-	-	-13,835	-	-	-13,835
Distribution of profit	-	-	-64,413	13,283	29,729	-21,401
<b>Total income for the year 2015</b>	-	-	<b>-84,097</b>	<b>13,283</b>	<b>35,544</b>	<b>-35,270</b>
Increase of capital/Group contribution	-	-	11,642	-	-11,642	-
Adjustment of Cosa	-	-	-	-	-11,112	-11,112
Reserve equity method to retained earnings	-	-	50,285	-	-50,285	-
<b>Equity 31 December 2015</b>	<b>75,000</b>	<b>141,500</b>	<b>-</b>	<b>20,266</b>	<b>67,114</b>	<b>303,880</b>
<b>Equity 1 January 2016</b>	<b>75,000</b>	<b>141,500</b>	<b>-</b>	<b>20,266</b>	<b>67,114</b>	<b>303,880</b>
Adjustment to the opening balance in affiliated company	-	-	-11,249	-	2	-11,247
<b>Adjusted Equity 1 January 2016</b>	<b>75,000</b>	<b>141,500</b>	<b>-11,249</b>	<b>20,266</b>	<b>67,116</b>	<b>292,633</b>
Currency adjustments in affiliated companies	-	-	10,569	-	-	10,569
Distribution of profit	-	-	-16,340	-20,266	20,021	-16,585
<b>Total income for the period</b>	-	-	<b>-5,771</b>	<b>-20,266</b>	<b>20,021</b>	<b>-6,016</b>
Reserve equity method to retained earnings	-	-	17,020	-	-17,020	-
<b>Equity 31 December 2016</b>	<b>75,000</b>	<b>141,500</b>	<b>-</b>	<b>-</b>	<b>70,117</b>	<b>286,617</b>

Amount of one share 1.000. Total shares 75.000



Financial Statements 1 January - 31 December 2016

Equity

(DKK '000) Group	Share Capital	Reserve on issued shares	Reserve equity method	Equalisa- tion reserve	Retained earnings	Total
<b>Equity 1 January 2015</b>	<b>75,000</b>	<b>141,500</b>	-	<b>6,983</b>	<b>164,228</b>	<b>387,711</b>
Change in accounting policy	-	-	-	-	-37,449	-37,449
<b>Adjusted Equity 1 January 2015</b>	<b>75,000</b>	<b>141,500</b>	-	<b>6,983</b>	<b>126,779</b>	<b>350,262</b>
Adjustment to the opening balance in affiliated company	-	-	-	-	-34	-34
Currency adjustments in affiliated companies	-	-	-	-	-13,835	-13,835
Distribution of profit	-	-	-	13,283	-34,684	-21,401
<b>Total income for the period</b>	-	-	-	<b>13,283</b>	<b>-48,553</b>	<b>-35,270</b>
Adjustment of Cosa	-	-	-	-	-11,112	-11,112
<b>Equity 31 December 2015</b>	<b>75,000</b>	<b>141,500</b>	-	<b>20,266</b>	<b>67,114</b>	<b>303,880</b>
<b>Equity 1 January 2016</b>	<b>75,000</b>	<b>141,500</b>	-	<b>20,266</b>	<b>67,114</b>	<b>303,880</b>
Adjustment to the opening balance in affiliated company	-	-	-	-	-11,247	-11,247
<b>Adjusted Equity 1 January 2016</b>	<b>75,000</b>	<b>141,500</b>	-	<b>20,266</b>	<b>55,867</b>	<b>292,633</b>
Currency adjustments in affiliated companies	-	-	-	-	10,569	10,569
Distribution of profit	-	-	-	-20,266	3,681	-16,585
<b>Total income for the period</b>	-	-	-	<b>-20,266</b>	<b>14,250</b>	<b>-6,016</b>
<b>Equity 31 December 2016</b>	<b>75,000</b>	<b>141,500</b>	-	-	<b>70,117</b>	<b>286,617</b>



Financial Statements 1 January - 31 December 2016

Notes

Parent company			Group	
2015	2016		2016	2015
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)
		<b>Note 1 - Gross premiums</b>		
		<i>Geographical division of gross premiums:</i>		
276,576	216,969	Denmark	216,969	276,576
857,603	1,036,238	Other EU countries	1,036,238	857,603
113,267	117,074	Other countries	673,548	594,755
<u>1,247,446</u>	<u>1,370,281</u>		<u>1,926,755</u>	<u>1,728,934</u>
		<b>Note 2 - Claims</b>		
<u>-28,301</u>	<u>-354,961</u>	Gross run-off results	<u>-323,202</u>	<u>-12,699</u>
<u>-10,154</u>	<u>-112,154</u>	Run-off results for own account	<u>-101,378</u>	<u>-13,293</u>



## Financial Statements 1 January - 31 December 2016

### Notes

#### Note 2 - Claims, continued

	Number of claims	Average claims	Claims rate
<i>The development in claims can be specified as follows (Parent Company):</i>			
Sickness and accident insurance	217	94,886	0.3%
Workers compensation insurance	2,373	123,467	24.6%
Motor liability insurance	5,611	43,685	3.0%
Motor own damage insurance	8,444	39,225	18.4%
Marine, aviation and goods insurance	50	397,302	2.5%
Fire and contents insurance (privat)	202	100,394	1.5%
Fire and contents insurance (commercial)	3,422	12,218	7.1%
Liability insurance	1,425	64,612	31.8%
Credit and surety insurance	47	158,596	1.6%
Legal expenses insurance	246	24,266	0.2%
Other direct insurance and proportional reinsurance	780	64,128	0.4%

	Number of claims	Average claims	Claims rate
<i>The development in claims can be specified as follows (Group):</i>			
Sickness and accident insurance	250	78,509	0.3%
Workers compensation insurance	2,373	123,499	24.6%
Motor liability insurance	6,826	52,208	2.6%
Motor own damage insurance	25,829	17,315	20.8%
Marine, aviation and goods insurance	55	364,341	2.3%
Fire and contents insurance (privat)	3,705	39,667	3.3%
Fire and contents insurance (commercial)	3,892	16,609	6.9%
Liability insurance	1,635	62,285	35.6%
Credit and surety insurance	47	158,596	1.6%
Legal expenses insurance	246	24,266	0.2%
Other direct insurance and proportional reinsurance	3,306	18,663	1.5%



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Note 3 - Specifications on Insurance classes

Parent DKK million	Sickness and accident insurance		Workers compensation insurance		Motor liability insurance		Motor own damage insurance		Marine, aviation and goods insurance		Fire and contents insurance (private)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums	15,7	23,2	203,3	264,0	349,1	116,1	371,6	183,3	24,1	15,7	26,8	22,9
Gross premium income	17,1	23,3	200,9	241,0	275,0	157,0	290,9	244,1	23,6	5,2	29,7	22,5
Gross claims incurred	-20,6	-20,1	-292,9	-181,5	-245,1	-190,8	-331,2	-286,3	-19,8	1,5	-20,3	-14,4
Gross insurance operating costs	-2,6	-4,1	-64,0	-49,1	-107,7	-9,6	-88,9	-16,6	-4,8	0,1	-8,8	-7,4
Profit of ceded business	4,4	-1,1	66,1	11,7	76,0	60,6	118,2	88,0	-0,6	-3,8	-1,5	-2,0
Technical interest f.o.a.	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0
Insurance technical result	-0,7	-0,1	-165,9	-48,2	20,9	4,4	13,2	10,1	0,0	-1,0	0,9	0,6

Parent DKK million	Fire and contents insurance (commercial)		Liability insurance		Credit and surety insurance		Legal expenses insurance		Other direct insurance and proportional reinsurance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums	140,1	140,8	58,2	136,3	37,4	44,0	82,2	188,5	61,6	112,7	1.370,3	1.247,4
Gross premium income	155,1	140,9	96,8	187,4	38,2	43,2	87,1	189,9	68,7	87,8	1.283,1	1.342,3
Gross claims incurred	-41,8	-70,1	-92,1	-115,1	-7,5	-2,2	-6,0	-20,0	-50,0	-48,3	-1.127,2	-947,4
Gross insurance operating costs	-48,5	-29,9	-2,3	-30,5	-13,5	-6,8	-72,3	-136,7	-17,4	-20,4	-430,8	-310,8
Profit of ceded business	-22,3	-21,2	23,2	-49,3	-10,1	-13,8	-6,2	-9,2	-4,8	-4,9	242,4	55,1
Technical interest f.o.a.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,2
Insurance technical result	51,6	5,8	29,4	15,7	9,7	14,8	7,9	34,6	0,5	5,6	-32,6	42,2



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Note 3 - Specifications on Insurance classes, continued

Group	Sickness and accident insurance		Workers compensation insurance		Motor liability insurance		Motor own damage insurance		Marine, aviation and goods insurance		Fire and contents insurance (private)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>DKK million</b>												
Gross premiums	26,1	31,7	205,1	263,6	505,3	256,2	534,7	328,4	25,1	16,8	164,5	133,4
Gross premium income	27,1	31,3	202,8	240,5	427,9	286,5	449,9	377,5	24,7	6,6	158,8	121,6
Gross claims incurred	-19,6	-21,2	-293,0	-181,0	-356,4	-283,2	-447,2	-381,1	-20,0	0,8	-147,0	-108,5
Gross insurance operating costs	-3,4	-4,8	-65,2	-47,4	-128,6	1,2	-110,7	-6,3	-4,9	0,3	-25,6	4,7
Profit of ceded business	4,1	-0,8	66,0	10,3	72,3	50,6	114,3	72,8	-1,1	-3,0	11,4	-3,1
Technical interest f.o.a.	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0
Insurance technical result	9,3	4,8	-165,3	-47,9	38,2	13,0	30,8	18,7	0,2	-1,0	-0,8	0,5

Group	Fire and contents insurance (commercial)		Liability insurance		Credit and surety insurance		Legal expenses insurance		Other direct insurance and proportional reinsurance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>DKK million</b>												
Gross premiums	189,6	186,4	72,8	149,1	37,4	43,9	82,2	188,2	83,8	131,2	1.926,8	1.728,9
Gross premium income	201,8	185,5	110,9	199,3	38,2	43,1	87,1	189,6	88,7	100,3	1.818,0	1.782,0
Gross claims incurred	-64,6	-106,2	-101,9	-113,5	-7,5	-2,2	-6,0	-20,3	-61,7	-59,1	-1.524,8	-1.275,4
Gross insurance operating costs	-55,4	-24,6	-2,3	-30,9	-13,5	-10,8	-72,3	-136,7	-111,8	-115,9	-593,8	-371,1
Profit of ceded business	-33,0	-17,2	22,5	-39,6	-10,1	-11,1	-6,2	-7,5	-7,1	-3,6	233,0	47,8
Technical interest f.o.a.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,7	0,0	1,4
Insurance technical result	58,2	8,6	33,1	24,6	9,7	11,5	7,9	34,4	-88,7	-75,2	-67,6	-7,8



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Parent company			Group	
2015	2016		2016	2015
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)
		<b>Note 4 - Administrative expenses</b>		
		<i>Audit fee:</i>		
969	917	KPMG P/S	1,151	969
103	-	Others	-	501
<u>1,072</u>	<u>917</u>	<b>Total</b>	<u>1,151</u>	<u>1,470</u>
		<i>Fee for other assurance services:</i>		
117	-	KPMG P/S	-	117
<u>117</u>	<u>-</u>	<b>Total</b>	<u>-</u>	<u>117</u>
		<b>Note 5 - Currency and marketable securities adjustments</b>		
-3,292	-	Gains and losses as a result of changes in the interest rate used for discounting of claims provision	-	-3,747
18,054	43,414	Shares	43,414	18,054
-2,148	-	Units in investment associations	-	-2,148
-9,027	-3,138	Bonds	-1,726	-10,042
9,874	-37,145	Currency adjustments	-37,023	9,708
<u>13,461</u>	<u>3,131</u>		<u>4,665</u>	<u>11,825</u>



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Parent company			Group	
2015	2016		2016	2015
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)
9,506	-	<b>Note 6 - Tax on net results</b>		
		Current tax	-	9,506
-27	-	Adjustment of deferred tax, previous years	-15,198	14,719
354	2,120	Change in deferred tax	2,120	354
<u>9,833</u>	<u>2,120</u>		<u>-13,078</u>	<u>24,579</u>
		<i>Total tax on total income for the year can be explained ad follows:</i>		
-11,568	-14,465	Profit before tax	-29,663	3,178
		Reversal of income from Group entities and branch	22,956	55,625
		Recognition of additional tax loss, carried forward from Group entities	15,198	-
44,057	8,491	<b>Total income</b>	<b>8,491</b>	<b>58,803</b>
23.5%	22.0%	Applicable tax rate	22.0%	23.5%
<u>10,353</u>	<u>1,868</u>	<b>Tax calculated on total income</b>	<u><b>1,868</b></u>	<u><b>13,819</b></u>
		<i>Tax on permanent differences:</i>		
-867	-137	Income not subject to tax	-137	-867
374	389	Expenses disallowed for tax purposes	389	384
9,860	2,120	<b>Tax on total income for the year</b>	<b>2,120</b>	<b>13,335</b>
-27	-	Adjustment of deferred tax, previous years	-15,198	14,719
		Adjustment of expenses non defered tax	-	-3,475
<u>9,833</u>	<u>2,120</u>	<b>Tax expense</b>	<u><b>-13,078</b></u>	<u><b>24,579</b></u>



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Note 6 - Tax on net results, continued

*Deferred tax can be specified as follows:*

Parent company

Deferred tax	1/1 2016	Adjustment	31/12 2016
	(DKK '000)	of the year (DKK '000)	(DKK '000)
Equipment etc.	-116	41	-75
Software	468	-631	-163
Amounts receivables from policy holders	4,076	0	4,076
Tax loss carried forward	-7,095	2,710	-4,386
	<u>-2,667</u>	<u>2,120</u>	<u>-548</u>
<i>Recognized as:</i>			
Deferred tax asset			-548
			<u>-548</u>

Group

Deferred tax	1/1 2016	Adjustment	31/12 2016
	(DKK '000)	of the year (DKK '000)	(DKK '000)
Equipment etc.	-116	41	-75
Software	468	-631	-163
Amounts receivables from policy holders	4,076	0	4,076
Tax loss carried forward	-31,154	-3,142	-34,296
	<u>-26,726</u>	<u>-3,732</u>	<u>-30,458</u>
<i>Recognized as:</i>			
Deferred tax asset			-30,458
			<u>-30,458</u>



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Parent company		Notes		Group	
2015	2016		2016	2015	
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)	
<b>Software</b>		<b>Note 7 - Immaterial assets</b>	<b>Software</b>		
7,559	17,906	Cost at 1 January 2016	76,320	59,860	
-	-	Currency adjustment on opening balance sheet	3,169	-2,993	
10,347	2,944	Additions	13,164	19,453	
<u>17,906</u>	<u>20,850</u>	<b>Cost at 31 December 2016</b>	<u>92,653</u>	<u>76,320</u>	
204	204	Depreciation at 1 January 2016	39,685	37,108	
-	-	Currency adjustment on opening balance sheet	2,143	-2,113	
-	2,664	Depreciation for the year	8,449	4,690	
<u>204</u>	<u>2,868</u>	<b>Depreciation at 31 December 2016</b>	<u>50,277</u>	<u>39,685</u>	
<u>17,702</u>	<u>17,982</u>	<b>Net asset value at 31 December 2016</b>	<u>42,376</u>	<u>36,635</u>	
<b>Office equipment</b>		<b>Note 8 - Tangible assets</b>	<b>Office equipment</b>		
2,804	3,131	Cost at 1 January 2016	21,065	19,194	
-	-	Currency adjustment on opening balance sheet	973	-937	
327	711	Additions	1,782	2,808	
<u>3,131</u>	<u>3,842</u>	<b>Cost at 31 December 2016</b>	<u>23,820</u>	<u>21,065</u>	
2,537	2,650	Depreciation at 1 January 2016	16,872	16,019	
-	-	Currency adjustment on opening balance sheet	771	-772	
113	194	Depreciation for the year	2,024	1,625	
<u>2,650</u>	<u>2,844</u>	<b>Depreciation at 31 December 2016</b>	<u>19,667</u>	<u>16,872</u>	
<u>481</u>	<u>998</u>	<b>Net asset value at 31 December 2016</b>	<u>4,153</u>	<u>4,193</u>	



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Parent company		Notes	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
		<b>Note 9 - Interest in affiliated companies</b>		
194,133	228,077	Cost at 1 January 2016	-	-
33,944	-	Additions	-	-
<u>228,077</u>	<u>228,077</u>	<b>Cost at 31 December 2016</b>	<u>-</u>	<u>-</u>
31,161	-50,285	Adjustments at 1 January 2016	-	-
-14,840	-11,249	Adjustment to the opening balance in affiliated company	-	-
-13,835	10,569	Currency adjustment of the opening equity in affiliated company	-	-
11,642	-	Contribution to subsidiary	-	-
<u>-64,413</u>	<u>-16,340</u>	Net profit for the year	<u>-</u>	<u>-</u>
<u>-50,285</u>	<u>-67,305</u>	<b>Adjustments at 31 December 2016</b>	<u>-</u>	<u>-</u>
<u>177,792</u>	<u>160,772</u>	<b>Net asset value at 31 December 2016</b>	<u>-</u>	<u>-</u>
				<b>NEMI Forsikring AS</b>
Registered Office				Oslo
Equity interest				100%
Share of net profit for the year				<u>-16,340</u>
Share of equity				<u>160,772</u>



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Parent company		Notes	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
		<b>Note 10 - Interest in associated companies</b>		
281	281	Cost at 1 January 2016	281	281
<b>281</b>	<b>281</b>	<b>Cost at 31 December 2016</b>	<b>281</b>	<b>281</b>
1,017	532	Adjustments at 1 January 2016	532	1,017
389	625	Net profit for the year	625	389
-874	-375	Distributed dividend	-375	-874
<b>532</b>	<b>782</b>	<b>Adjustments at 31 December 2016</b>	<b>782</b>	<b>532</b>
<b>813</b>	<b>1,063</b>	<b>Net asset value at 31 December 2016</b>	<b>1,063</b>	<b>813</b>

Registered Office	Alpha Sales Group A/S
Equity interest	Copenhagen
Share of net profit for the year	25%
Share of equity	625
	<u>1,063</u>

Parent company		Notes	Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
		<b>Note 11 - Equity</b>		
		<i>The calculation of eligible own funds to meet SCR can be specified as follows:</i>		
303,880	286,617	Equity at 31 December	286,617	303,880
51,994	106,869	Subordinated loan capital	127,772	51,994
-19,631	-	Deferred tax asset	-	-19,631
-	69,300	Reconciliation reserve	95,016	-
-36,635	-	Immaterial assets	-	-36,635
9,272	-	Tax of immaterial assets	-	9,272
-54,014	5,467	Deductions for participations in financial and credit institutions	-	-54,014
-9,338	-	Changes in the valuation of technical provisions	-	-9,338
<b>245,528</b>	<b>468,253</b>	<b>The eligible own funds to meet the SCR at 31 December</b>	<b>509,405</b>	<b>245,528</b>



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## Notes

### Note 12 - Subordinated loan capital

The company has subordinated loan capital at DKK 149 million. The interest rate for the loan is 9% pro anno plus the Euribor 3 months rate. The subordinated loan is free of amortization until 31 December 2024. At this time the loan will be settled. In the eligible own funds to meet SCR the subordinated loan capital is included, which corresponds to 50 % of the SCR in Alpha Insurance DKK 106.9 million.

The loan respects payment to all other creditors in Alpha Insurance A/S before the loan will be settled.

Parent company			Group	
2015	2016		2016	2015
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)
<b>Note 13 - Information on staff and remuneration</b>				
<i>Total staff costs comprise:</i>				
32,073	35,851	Wages and salaries	81,813	71,883
2,389	2,857	Pension plans	4,836	6,433
4,382	5,488	Expenses to social security and other staff costs	5,488	13,994
<u>38,844</u>	<u>44,196</u>		<u>92,137</u>	<u>92,310</u>
6,217	6,248	Board of Executives and Risk taker	6,248	6,217
1,588	1,657	Board of Directors	3,203	3,393
<u>7,805</u>	<u>7,905</u>		<u>9,451</u>	<u>9,610</u>
1	1	Members of the Executive Board	1	1
5	5	Members of the Board	5	5
24	30	Average number of employees	134	124

The Group primarily uses fixed salaries and has not paid one-off fees, pensions or bonuses in 2016. The Chief Executive Office has been identified as the Risk taker. The Chief Executive Officer signs on all risks.



Notes

Note 13 - Information on staff and remuneration, continued

Remuneration to the board of directors

Board of Directors - total remuneration Group (DKK'000)

	Total remuneration 2016	Total remuneration 2015
Morten Helge	750	750
Bo Lundqvist	375	375
Jens Erik Christensen	150	150
Thomas Dahl Fredslund	185	169
Bjarke Sanbeck Nilsson	185	169
Leif Corinth-Hansen	150	150

The Board of Directors does not have any bonus or options and does not have any redundancy scheme.

Board of Executives - total remuneration Group (DKK'000)

	Year	Remuneration	Pension	Benefits	Total
Leif Corinth-Hansen	2016	6,021	118	110	6,248
Leif Corinth-Hansen	2015	6,021	118	78	6,217

Insurance year through 2015 (DKK '000)	Insurance year 2016 (DKK '000)		Insurance year 2016 (DKK '000)	Insurance year through 2015 (DKK '000)
		<b>Note 14 - Claims provisions, gross</b>		
1,388,996	-	1 January	-	1,599,616
354,961	774,436	Gross claims incurred	1,215,678	315,539
-574,815	-277,073	Claims paid	-553,608	-677,883
-153,127	-5,490	Currency adjustments	-5,489	-141,731
<u>1,016,016</u>	<u>491,873</u>	<b>31 December</b>	<u>656,581</u>	<u>1,095,541</u>
		<b>Note 15 - Reinsurers share of claims provisions</b>		
		1 January	-	1,000,196
884,551	-	Change in claims provisions	765,589	216,762
242,807	452,047	Claims paid	-315,422	-457,727
-398,470	-111,089	Currency adjustments	-2,415	-81,717
-81,657	-2,415	<b>31 December</b>	<u>447,752</u>	<u>677,514</u>
<u>647,231</u>	<u>338,543</u>			



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Parent company			Group	
2015 (DKK '000)	2016 (DKK '000)		2016 (DKK '000)	2015 (DKK '000)
		<b>Note 16 - Contingent liabilities, guarantee commitments etc.</b>		
20,187	16,210	Rent commitments	24,511	27,673
<u>20,187</u>	<u>16,210</u>		<u>24,511</u>	<u>27,673</u>
The following assets are registered as provision of security for the technical provisions:				
66,972	130,572	Shares	130,572	67,283
-	160,772	Interest in affiliated companies	160,772	-
418,742	363,624	Bonds and accrued interests	363,624	565,046
51,507	76,523	Banks and deposits	76,523	79,690
961,333	1,163,295	Receivables	1,163,295	1,142,416
<u>1,498,554</u>	<u>1,894,786</u>		<u>1,894,786</u>	<u>1,854,435</u>

Alpha Insurance A/S has made a letter of intent to Nemi Forsikring AS to give further capital if needed for Nemi Forsikring AS to fulfill the requirements for solvency.

**Note 17 - Related parties, etc.**

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

**Controlling interest**

Alpha Holding A/S

Principal shareholder

**Subsidiary companies**

NEMI Forsikring AS

Affiliated Company

Claims handling agreement

	2016	2015
	2,716	2,411

Transactions between Alpha Insurance and affiliated companies are conducted on an arm's length basis.

**Intra-group transactions:**

Administration fee, etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interests on market terms.

Transactions with group companies have been eliminated in the consolidated financial statements in accordance with the accounting policies.



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## Notes

### Note 17 - Related parties, etc., continued

#### *Other related parties*

Alpha Insurance has entered a broker agreement on market terms with Beta Re GmbH on certain agency contracts. Brokerage for this service amounts to TDKK 6,565 (2,488).

Alpha Insurance has entered into binding authority agreements with Beta Aviation ApS and Lima Agency Ltd. on market terms. Commission paid in relation to these agreements amounts to TDKK 2,844 (2,013) and TDKK 5,840 (3,002) respectively.

#### *Ownership*

The following shareholders are registered in the register of shareholders as owners of least 5 % of the voting rights or at least 5 % of the share capital.

Alpha Holding A/S  
c/o Harbour House  
Sundkrogsgade 21  
DK-2100 Copenhagen Ø

The Annual Report for Alpha Insurance A/S is a part of the consolidated accounts of Alpha Holding A/S and Alpha ApS.

Remuneration of the Executive Board and the Board are presented in note 13.

Administration fees, etc. are settled on a cost recovery basis. The consolidated accounts are offset and earn interest on market terms. The companies in the Alpha Group have entered into reinsurance contracts based on market terms. Transactions with subsidiary companies have been eliminated in the consolidated accounts, in accordance with the accounting policies applied.

### Note 18 - Risk and information on sensitivity

Event	Effect in Equity in '000
Increase in interest rate of 0,7 %	-6,369
Decrease in interest rate of 0,7 %	6,369
Reduction in share prices of 12 %	15,669
Reduction in value of property of 8 %	-
Foreign currency risk (VaR 99,5)	18,571
Loss on 3rd parties of 8 %	1,007

### Note 19 - Other note information

In accordance with § 91a in the regulations for financial report for insurance companies and no occupational pension funds a five-year plan is describe on the last page in the management statement.



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## Accounting policies

The Annual Report of Alpha Insurance A/S for 1 January - 31 December 2016 has been presented in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Occupational Pension Funds.

### *Changes to accounting policies*

Alpha Insurance A/S has implemented the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Occupational Pension Funds. The executive order introduces a number of changes to the accounting treatment of insurance contracts.

The new executive order comprises changes to the accounting for and measurement of insurance contracts, hereunder introducing the new terms risk margin on insurance contracts and future profit margin on insurance contracts. The executive order also includes changes to the presentation in the financial statements and the introduction of a new interest rate curve, calculated by the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

The change in accounting policies related to future profit margin has had no effect on the income, total assets or equity at 31.12.2015 or 31.12.2016. In 2015, DKK 21.1 million (Group DKK 14.7 million) was reclassified from "Change in premium reserve" to "Change in future profit and risk margin". At 31.12.2015, DKK 55.9 million (Group DKK 59.6 million) was reclassified from "Premium provisions, gross" to "Future profit".

In 2015, the change in accounting policies related to risk margin has increased the "Net profit before tax" by DKK 3.3 million (Group DKK 2.3 million) and the "Net profit for the year" by DKK 0.7 million (Group 0.5 million). At 01.01.2015, the equity was decreased by DKK 37.5 million (Group DKK 37.5 million) and the total assets by DKK 7.3 million (Group DKK 2.7 million). In 2016, the "Change in risk margin" increased the "Net profit before tax" by DKK 2.1 million (Group DKK 6.4 million) and the "Net profit for the year" and equity at 31.12.2016 by DKK 0.5 million (Group DKK 1.4 million).

### *Risk margin on insurance contracts*

The risk margin is the amount, so that the technical provision is consistent with a market value in such a way that the value of technical provisions correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations.

### *Future profit margin*

The future profit margin is the difference between the premium provision pro rata temporis principle and the present value of the best estimate of future payments of the liabilities of claims not yet incurred.



## Accounting policies

### Recognition and measurement

Income is recognised in the Income Statement as earned, including value adjustments of financial assets and liabilities. All expenses including depreciation/amortisation and impairment claims are recognised in the Income Statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable.

On initial recognition, assets and liabilities are recognised at cost. Subsequently, assets and liabilities are measured as described below for each item.

Certain financial assets and liabilities are measured at amortised cost where a constant effective interest is recognised over the maturity. Amortised cost is stated as original cost less any principal repayments and with the addition/deduction of the cumulative amortisation of any difference between cost and nominal amount.

Allowances are made for predictable claims and risks that arise before the presentation of the Interim Report and that confirm or invalidate circumstances that existed at the balance sheet date.

### Consolidated financial statements

The consolidated financial statements comprise the parent company Alpha Insurance A/S and subsidiaries controlled by the parent company. Control is achieved where the parent company directly or indirectly holds more than 50 per cent of the voting rights or is otherwise able to exercise or actually exercise control. If the parent company holds more than 50 per cent without the ability to exercise control of the entity the interests are recognized as "Shares" under "Other financial investment assets".

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

The consolidated financial statements are prepared by adding together uniform items and eliminating intra-group income and expenses, investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated companies.

Newly acquired or newly formed companies are recognised in the consolidated financial statements from the date of acquisition. Companies sold or discontinued are recognised in the consolidated income statement up to the time of sale or discontinuance.

Newly acquired subsidiaries are accounted for using the purchase method of accounting, according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired companies are measured at fair value at the time of acquisition.



## Accounting policies

### *Consolidated financial statements (continued)*

Negative differences between the cost of the acquisition and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised in the income statement at the time of acquisition.

Minority interests are recognised at the time of acquisition at the proportionate share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Gains or losses on the disposal or discontinuance of subsidiaries are calculated as the difference between the selling price and the book value of net assets at the time of sale as well as anticipated expenses relating to sale.

### *Foreign currency*

Transactions denominated in foreign currencies are converted at the exchange rates at the dates of transaction. Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognised in the Income Statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are converted by applying the exchange rates at the balance sheet date. Differences arising between the rate at the balance sheet date and the rate at the date of the arising of the receivable or payable are recognised in the Income Statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

## **The Income Statement**

### *Premium income*

Gross premiums are listed as the year's payable premiums stemming from insurance agreements which pertain to the financial year.

### *Reinsurance contracts*

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. Alpha Insurance 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.



Financial Statements 1 January - 31 December 2016

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## Accounting policies

### *Claims*

Paid gross claims are listed as the year's paid claims including internal and external expenses of inspection and evaluation of damages and various direct and indirect expenses related to the treatment of occurred damages.

### *Bonus and rebates*

The premium amounts repaid or to be repaid to policyholders are recognized as bonus 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 beginning of the accounting period or when the insurance contracts are taken out. The provision for bonuses and rebates includes expected amounts payable to policyholders based on their claims experience during the accounting period.

### *Acquisition costs*

Acquisition costs are listed as costs related to purchase and renew of the portfolio.

The majority of the business written is distributed by intermediaries and is based on, so-called account solutions. The account solution business model means that the result of the insurance business is shared with the respective intermediaries.

An insurance technical profit under these agreements represents a duty for the Company to pay additional commissions to the intermediary and a technical loss will give the Company a right to claim an amount from said intermediaries mainly in the form of the right to assume future profitable business from the intermediary. The duty to pay commission is accrued as payables to brokers and the income will be accrued to the extent this is earned on business in force. The account solution does not in any way limit the amount of risk transfer towards the original insured within the compulsory insurance classes.

### *Administrative expenses*

Administrative expenses are listed as the costs related to the administration of the company's portfolio. The administrative expenses are allocated to they cover the period.

### *Insurance technical interest*

Part of the profit or loss from investment operations relates to the insurance operations and is therefore transferred to this part of the income statement.

The transferral is the change in insurance provisions at own account due to discounting, including unwind, using the interest rate curve from EIOPA including Volatility Adjustment.



Financial Statements 1 January - 31 December 2016

## Accounting policies

### *Interest income and dividend*

Profit or loss from investment operations include the interest earned in the financial year on bonds, bank, deposits and receivables as well as dividends received on investments.

### *Currency and marketable securities adjustments*

Currency and marketable securities adjustments include both realised and unrealised gains and losses on the sale and value adjustment of securities and other financial contracts as well as realised and unrealised foreign exchange gains and losses.

### *Tax*

Tax for the period includes current tax and changes in deferred tax and is listed in the income statement with the ratio referring to the net profit/loss for the period and recognised in the equity with the ratio referring to entries with direct reference to the equity.

Current tax liabilities and current tax receivables, are respectively listed in the Balance Sheet as calculated tax on the period's taxable income, adjusted for prepaid tax.

Deferred tax is assessed in respect of all temporary differences between the carrying amount and the tax value of the assets and liabilities. Deferred tax assets including the tax value of tax losses to be carried forward are recognised in the Balance Sheet at the value on which the assets are expected to be realised, either by setting off in the deferred tax liabilities or as net assets.

The company is jointly taxed with its Parent Company. The jointly taxed companies participate in the Tax Prepayment Scheme.

## **The Balance Sheet**

### *Immaterial assets*

Software is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful life of the asset which is estimated to be 7 years.

### *Equipment*

Equipment is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful lives of the assets:

Office equipment etc.	3-5 years
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Financial Statements 1 January - 31 December 2016

## Accounting policies

### *Leases*

Leases related to tangible assets of which the Company assumes all material risks and rewards of ownership (finance leases) are measured in the Balance Sheet as assets. On initial recognition, the assets are valued at computed cost equal to fair value or (if lower) at the (net) present value of future lease payments. In the computation of the (net) present value either the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets held under finance leases are depreciated as other similar tangible assets.

The capitalised residual lease obligation is recognised in the Balance Sheet as a liability other than provisions and the interest element in the lease payment is recognised in the Income Statement over the lease term.

All other lease agreements are considered as operating leases. Lease payments under operating leases and other rental agreements are recognised in the Income Statement over the term of the agreements.

The Company's total obligation related to operating leases and rental agreements is stated under contingent assets and liabilities etc.

### *Investment assets*

#### *Participating interests in affiliated companies*

The proportionate share of the individual subsidiaries' results before tax is recognised in the parent's income statement. The parent's share of the subsidiaries' tax is recognised under tax on profit/loss on ordinary activities.

Holdings in group undertakings are recognised in the balance sheet at the proportionate share of the companies' financial equity value calculated in accordance with the parent's accounting policies.

Net revaluation of investments in subsidiaries and associates is transferred under equity to reserves for net revaluation by the equity method to the extent the financial value exceeds the acquisition price.

Acquisition or establishment of new companies are recognised in the annual report from the date of acquisition.

Positive differences (goodwill) between acquisition price and the value of acquired assets and liabilities are recognised under participating interests in affiliated companies and amortised over their estimated economic lives. The financial value of goodwill is assessed currently and written down in the income statement where the financial value exceeds the expected future net income from the company or activities to which the goodwill relates.



Financial Statements 1 January - 31 December 2016

## Accounting policies

### *Securities*

Securities are initially measured at initial fair value on the transaction date and subsequently measured at fair value (market price) at the balance sheet date or at cost less writedowns if the market price is unavailable. Purchases and sales of securities are recognised at the trade date.

### *Insurance assets*

Reinsurers share of premium provisions and claims provisions are computed according to the coverage according to the underlying reinsurance contracts in force. The measurement is based on the same assumptions as applied in calculating provisions for unearned premiums and claims provisions.

### *Receivables and prepayments*

Receivables are measured at amortised cost which usually equals nominal value. Provisions made for bad debts reduce the value.

Prepayments comprise incurred expenses related to the following financial year.

### *Intercompany*

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

### *Dividends*

Dividends expected distributed for the year are shown as a separate item under equity. A proposed dividend is recognised as a liability on approval by the Annual General Meeting.

### *Provisions for unearned premiums and claims provisions*

Provisions for unearned premiums are calculated as the present value of the best estimate of future payments of the liabilities of claims not yet incurred.

Claims provisions are calculated as the present value of the best estimate of the future payments of the liabilities of all claims incurred, whether or not such claims have been filed.

Both premium and claims provisions also include an accrual for future expenses for the administration, mitigation, inspection and assessment of claims related to the end of year claims provisions.



Financial Statements 1 January - 31 December 2016

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### Accounting policies

#### *Provisions for unearned premiums and claims provisions (continued)*

A risk margin is calculated by the cost of capital method, so that the technical provision is consistent with a market value in such a way that the value of technical provisions correspond to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations.

Case provisions are estimated from the information which is known at the time of preparing the financial statements.

The claims provisions are determined taking the interest rate (discounting) into account, using the interest rate curves from EIOPA including volatility adjustment. External data are used for estimates for the future cash flow.

The premium provisions are calculated by the simplification in the guidelines in solvency II.

Gains and losses on the run-off of claims provisions from previous years are included in the claims incurred.

#### *Liabilities other than provisions*

Financial debt, debt to reinsurers and other debts are measured at amortised cost corresponding to nominal value.