

# Europæiske ERV

## Annual report 2017



# CONTENTS

---

- 3 Introduction by Chairman and CEO
- 4 Events in 2017
- 5 Management Review 2017
- 17 Independent Auditors' Statement of Assurance
- Annual Report:
- 20 Profit and Loss
- 21 Balance sheet as of 31 December 2017
- 23 Equity specification
- 24 Notes

---

**Europæiske ERV** is Denmark's oldest insurance company

We have more than 95 years of experience in providing security and safety to travellers.

**COMPANY NAME:**  
**EUROPÆISKE REJSEFORSIKRING A/S**  
Frederiksberg Allé 3  
1790 København V  
Telefon: 35 25 25 25  
Registered in: Copenhagen  
Company Reg. No. CVR nr. 62 94 05 14

**BOARD OF DIRECTORS AND AUDIT COMMITTEE:**  
Richard Bader (Chairman)  
Oliver Wild  
Jørn Sønderup  
Gabriele Bayer  
Christian Søndergaard (Elected by the staff)  
Peter Fobian (Elected by the staff)

**BOARD OF MANAGEMENT:**  
Beata Danuta Kalitowska-Zborowska (Chief Executive Officer)

**AUDIT:**  
KPMG  
Statsautoriseret Revisionspartnerselskab  
Company Reg. No. CVR nr.: 25 57 81 98

Anja Bjørnholt Lüthcke  
State Authorised Public Accountant

Mark Palmberg  
State Authorised Public Accountant

# INTRODUCTION BY CHAIRMAN AND CEO

## No 1 in the Nordic region

For all of us in Europæiske Rejseforsikring A/S 2017 was a year full of innovation, new challenges and opportunities. 2017 was also a year of transformation both in the organization and in our product portfolio. The changes were necessary but also challenging for all of us. We had to master ambitious tasks and change which required dedication and hard work from our organization while still attending to our daily business.

## One ERV company in the Nordics

Two years ago in 2015 Europæiske Rejseforsikring A/S in Denmark and our Swedish sister company ERV Försäkringsaktiebolag (publ) implemented one cross-company organizational structure as a first major step towards acting as one Nordic company. In October 2017 we aligned the legal structure of the two companies and thereby cemented the position as one Nordic insurance company – ERV Nordic.

In legal terms Europæiske Rejseforsikring A/S in Denmark is the continuing entity whereas ERV Försäkringsaktiebolag (publ) continues as a branch of Europæiske Rejseforsikring A/S by the legal name of Europeiska ERV Filial. Both the Danish and Swedish entities will locally continue with their current brand names and logos; Europæiske ERV and Europeiska ERV.

For clarification and simplicity reasons we will use the term ERV Nordic when referring to both Europæiske ERV and Europeiska ERV in this annual report. When only referring to Europæiske ERV we will use ERV Denmark and similarly with Europeiska ERV we will use the term ERV Sweden. Branching ERV Sweden to ERV Denmark constitutes a number of regulatory advantages. By becoming one legal structure ERV Nordic will be able to reduce a huge amount of complexity and double work with legal and financial topics, steering and reporting.

## A satisfying financial result in 2017

ERV Nordic delivered a profitable financial result of DKK 10.9m in 2017. This was below expectations, but satisfying considering low investment outcome, higher than expected claims costs in some of our main segments and this year's extraordinary costs related to merging our two Nordic entities.

## Legislation, digitalization and customer focus

New regulatory requirements occupied much of our time these past months. Unfortunately current indications show that these will not only increase but become even more intense. We will have to deal with these regulatory tasks on a high priority basis as well as find a balance between handling them and new business developments.

2017 brought us forward on our digital journey to maximize the customer experience.

It is our continuously strategy to further develop our self-service solutions to customers and partners in omni-channels to provide customers with our products and services whenever, wherever and however they need it.

Customer focus is very important for us and we are constantly following up on the satisfaction of our customers as reflected in our Net Promoter Score (NPS). We are above target for the Nordics with a NPS score of 54 and we are continuously taking actions in order to increase the satisfaction of our customers.

The year 2018 will bring new challenges and have its own ambitions but we will continue on our path to reach our set goals.

## Strong foundation

In 2017 we proved that we can achieve much by working together. The many accomplishments and good results would not have been possible without the commitment and dedication from the employees of ERV Nordic. We would like to thank our employees for their continuous efforts. The culture and employees of ERV Nordic is the core of our business asset and without this strong foundation we would not be where we are today.



**Beata Danuta Kalitowska-Zborowska**  
Chief Executive Officer



**Richard Bader**  
Chairman of the Board

# Events in 2017

## Marketing winter campaign

The campaign included videos on Facebook and retargeting banner ads about our 'Fail Universe' which in a humoristic way explains what potentially can go wrong on a holiday.



## New collaboration

ERV SE became new insurance provider for Swedbank card business and extended the existing collaboration with Entercard.

## Sales broker tool

As part of our increased collaboration with our brokers and our digitalization strategy we launched a new broker tool in Denmark. The tool was launched in Sweden in December.

## New insurance provider

ERV DK became new insurance provider for the Danish Ministry of Foreign Affairs. The agreement contains a joint solution between EuroCenter Holding and ERV DK to provide 24/7 assistance and claims handling to all employees working for the Ministry around the world.

## New CEO appointed

It was announced that the current MD for ERV Poland, Beata Kalitowska, will replace CEO Johannes von Hülsen, who moved on to new challenges as CEO for ERV Globality. Beata Kalitowska started as new CEO for ERV Nordic on the 1st of January 2018.



January February March April May June July August September October November December

## Our new insurance product

Cancellation Accommodation targeting customers who are renting out holiday homes in the Nordic was launched through our travel agents in Denmark and Sweden.



## New COO appointed

David Kraul was appointed Nordic COO, taking up his new position on 1st of May 2017.



## ERV SE became a branch of ERV DK

As only the second Insurance Group in the overall Nordic market after Trygg-Hansa and Codan we completed a clear cut Nordic legal merger.

## New Nordic leisure products and Agentweb

This included improvements on our Basic, Plus and Cancellation products as well as three whole new products, Youth, Backpacker and Weekend for the leisure market in Denmark and Sweden. Moreover we launched a new Agentweb for our travel agents in Denmark and Sweden with improved functionalities, flexibility and design. The new products and Agentweb will be launched to the market in January 2018.





## Our mission

Our mission is to ensure that travelers and people with special, mostly free time related insurance needs always will be rightly insured with us.

## Our vision

Our vision is to be the market leading, internationally capable, niche insurer in Sweden and Denmark that enhances quality of life of our Customers with customized, simple, easy and quick solutions relating to travel and other mostly free time related special risks. This vision is also reflected in the ERV Groups 8 values, which are:

- Customer focus
- Excellence
- Courage
- Passion
- Teamwork
- Forward looking & Sustainable
- Openness & Trust
- Leadership & Responsibility

## Ownership

ERV Nordic is a subsidiary 100% owned by ERV AG, which in turn is part of ERGO Group AG (ERGO) and Munich RE Group - the international reinsurance leader. Our financial system, investment portfolio management and some data reporting are outsourced to companies within the group. Furthermore a part of the claims handling abroad is outsourced to Euro-Center Holding that is mainly owned by us and ERV AG.



ERV Nordic is associated with the following companies:

	Registered office	Activity	Shareholding
<b>Subsidiary:</b>			
ERV Pojistovna a.s.	Czech Republic	Insurance	75 %
<b>Associated company:</b>			
Euro-Center Holding SE	Czech Republic	Assistance	33.34 %
European Assistance Holding	Germany	Assistance	20.00 %

ERV Nordic is member of the European Travel Insurance Group (ETI Group) uniting specialized insurers bearing similar name from all around Europe. Via this association we can closely co-operate with many travel insurers on an international level and deliver international solutions to our partners.



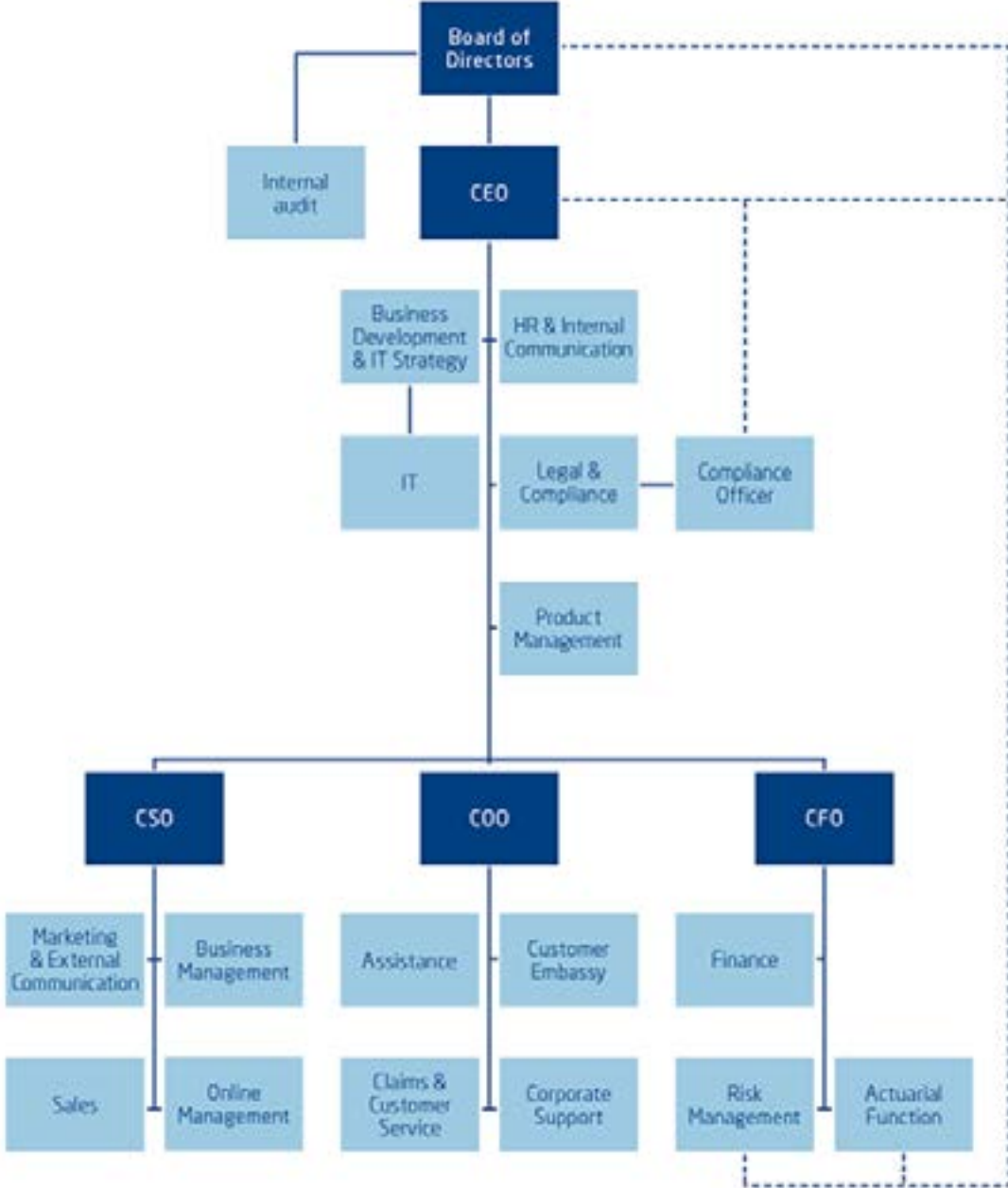
Members ETI Group

- Austria
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Hungary
- Italy
- Netherlands
- Norway
- Poland
- Portugal
- Russia
- Slovakia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom



Organizational chart

ERV Nordic has the below shown organizational structure:





### **Our core business**

ERV Nordic's primary business areas are sale of travel insurance to private customers in the leisure market including BtC, BtBtC; as well as in the corporate market together with health insurance for companies' employees stationed abroad. Our direct business is focused on the markets in Sweden and Denmark. Through insurance professionals and Distribution partners we are also active in Norway and Finland. ERV Sweden offer travel insurance through Card schemes as well as more affinity group centred business especially in the areas of jewellery and watches. The majority of travel insurance policies are sold either as trip-by-trip insurance or as annual travel insur-

ance in connection with ERV Nordic's customers' holiday trips, business trips or expatriation. Main distribution channels for all travel insurance policies and health insurance policies are either direct business or brokers in the relevant markets. In addition, for many years ERV Denmark wrote so called Unemployment insurance which were 100% reinsured. This business is no longer part of the business strategy and policies have gradually been cancelled at renewal since the autumn of 2016. As a consequence, this business will no longer be part of ERV Nordic by the end of 2018. ERV Denmark also has a health portfolio of International health care insurance which is in run off since August 2013.

### **Strong brand, digitalization and customer focus**

ERV Nordic remains to have a strong and well recognized end-consumer brand particularly in Denmark whereas the brand of ERV Sweden is more known as a business-to-business brand. As a well-established specialty brand, Europæiske ERV and Europeiska ERV focus on providing coverage customized to the policyholders needs, rather than offering products with the lowest premium. In addition it has been a major priority in recent years to invest in our digital platform where we interact with potential new customers (Sales) as well as existing customers (Policy Administration, Corporate Support and Claims) in state-of-the-art technical applications. Obviously, also our sales partners' sales approach has changed and we adjusted to that. Our broker relations mainly build on large international insurance brokers or strong domestic broker networks or local travel agencies, both individual and organized in groups.

### **The Nordic insurance market**

The customer base consists of cross-border travellers from Denmark and Sweden. The small geographical size and northern location of the countries ensures the stability of the market potential as these two factors creates a desire for the citizens to travel outside the country. The market competition consists primarily of larger insurance companies, which offers the product as part of a package deal with family insurance. In addition to this, the Danish public health care system in 2014 changed from cov-

ering a part of the health risks related to travel insurance in Europe to cover none (from the yellow card to the blue), which actually has provided a larger market potential. Changes in the public health care system can theoretically influence the markets' potential further in the future.

### **Industry analysis**

After the extended economic woes of the past years, the travel industry started to rebound in 2014 and 2015. A forecast from Amadeus/Oxford Economics expect global overnight visitor flows to grow at 5.4 % per annum over the next decade, significantly faster than GDP growth of 3,4%. In terms of regional overnight visitors, Amadeus/Oxford Economics predicts that Asia Pacific, the Middle East and Africa will be the fastest growing regions over the next 10 years. Europe's share of visitor flows will remain dominant out to 2023, and then North East Asia will overtake the dominant role. Even though Europeans are to become relatively less important globally, they will still account for a large part of the outbound travel and will increase travel to emerging markets. With this follows the need for travel insurance, both for private and corporate customers.

### **Business Travel Trends**

Travel budgets have always fluctuated in line with the economy. Firms are more relaxed about travel spend in the good times and tighten their belts in the bad. During the recent belt-tightening in Europe, companies have become more cost-conscious, introducing more sophis-



ticated tools to control business expenses and making smarter use of technological alternatives such as videoconferencing.

But as videoconferencing is increasingly a supplement, it will not replace business travel. In Asia, for example, direct face-to-face contact is a particularly important component of ongoing business relationships.

### **Leisure Trends**

The trends for leisure and travels are changing and we use more of our time and income on travel and free-time related activities. The trend is also to take more frequent, shorter trips, as opposed to the longer, more leisurely vacations of years past. This trend also comes as a

result of some forward-thinking start-ups that are stressing the importance of work/life balance for as part of their corporate culture. In addition, Millennials (who have shown themselves to value “recharging the batteries” and the “work hard play hard” ethos), now have the disposable income to help shape travel trends.

New entrants are disrupting all facets of the travel industry. New companies, products, and trends will alter the way we fly, drive, and stay. The development of internet based and mobile technologies drives the demand for a seamless travel experience. Seamless travel refers to travel utilising a variety of products and services organised through a single booking process. At present, many pro

viders appear to be focused on improving their own offering, seamless travel is effectively left for “someone else” to worry about.

### **Trends for Travel insurance market**

The Nordic market for free-time and travel insurance is defined by fierce competition, and competitors include both general insurers and niche insurers. In travel insurance ERV plays a dominating role in the Swedish and Danish market. Profitable growth opportunities are limited with the traditional products and channels.

In Sweden (different from DK) all large (that is 4) P&C insurers decided to package a travel insurance base cover into their existing home insurance offerings

around 15-20 years back. This changed the business model for ERV Sweden significantly and switched the offerings to become largely a supplement cover to the (new) market standard base cover. 98 % of all Swedes have a home insurance cover. The coverage is however only up to 45 days and is a basic travel insurance offering.

### **Claims handling**

ERV Nordic’s Assistance Network handles emergency assistance cases that occur in all parts of the world from small cases such as outpatient cases to bigger and more complex cases involving air transport. Many cases are complex medical cases, which are handled in close cooperation with our specialized sister assistance company Euro-Center Holding





SE. Since 2016 the Euro-Center Assistance office in Madrid has handled all ERV Nordic's assistance service and with service offices on six continents ERV Nordic's customers have one of the world's largest medical networks of experienced professionals and Danish speaking staff available.

In 2017 Euro-Center paid major attention to implementation, processes setup and quality assurance ensuring smooth service delivery and overall positive customer experience. Euro-Center has been developing a number of new products that will be integrated into the corporate assistance product as a response to the identified needs for a compact product that is required by corporate customers. It is no longer only insurance that is in scope of these companies but it is predominantly about the

services and its delivery. Euro-Center has dedicated a significant amount of resources in developing new and demanding solutions such as security services and remote on-site services. In addition, Euro-Center will finalize a number of e-solution products such as telemedicine and real time market alerts. All the mentioned services and products will be further evolved and integrated into Corporate Assistance.

### **ERV Nordic Strategy**

ERV Nordic has established four strategic focus areas to support our financial and customer targets.

- **Selected growth**
- **Digital journey**
- **E20 - Nordic alignment**
- **Strong foundation**

### **Selected growth - New Nordic Leisure products**

Our focus will continuously be on growing the business in Travel and Travel Related risk with focus on profitable and defined-growth areas in 2018.

We will strive to deliver intelligent (new) growth in existing and new markets and we will launch new leisure and corporate products in our current and new sales channels. Our existing products will be launched for distribution in new channels and we will offer packaging capabilities to include both new features as well as 3rd party offerings.

In 2018 we have launched new Nordic leisure products on the Danish and Swedish market. This includes improvements on our Basic and Plus insurance in Denmark as well as launching Basic and Plus as a whole new product portfolio in Sweden. Moreover we have also

launched three new products, Youth, Backpacker and Weekend for the leisure market in Denmark and Sweden.

### **Digital journey - Maximise customer experience**

Digitalization is one of the backbones of improving the customer experience and customer service. In 2017 we have developed many new digital solutions including a new and improved Agent Web as well as a new broker tool.

With almost 50 % of all leisure sales in our online channels further development of our self-service solutions to customers and partners in omni-channels that will provide customers with our products and services whenever, wherever and however they need it is a continuously strategic goal.

## E20 - No. 1 in the Nordic countries

In 2015 we launched our E20 strategy named after the highway that connects Copenhagen and Stockholm. The E20 strategy focuses on implementing one cross-entity organizational structure, processes and offerings between ERV Denmark and ERV Sweden. In 2017 we succeeded in branching ERV Sweden to Denmark and thereby cementing the position as ONE Nordic insurance company. The programme is on track and in 2018 it is our ambition to implement the last parts of the E20 strategy including focus on:

**One offering catalogue**, based on modular products and services that can be combined to support customised solutions quickly and easily. A standard, repeatable process for dynamically customizing products without creating back-end complexity, and thereby be able to respond quickly to changing consumer preferences and needs.

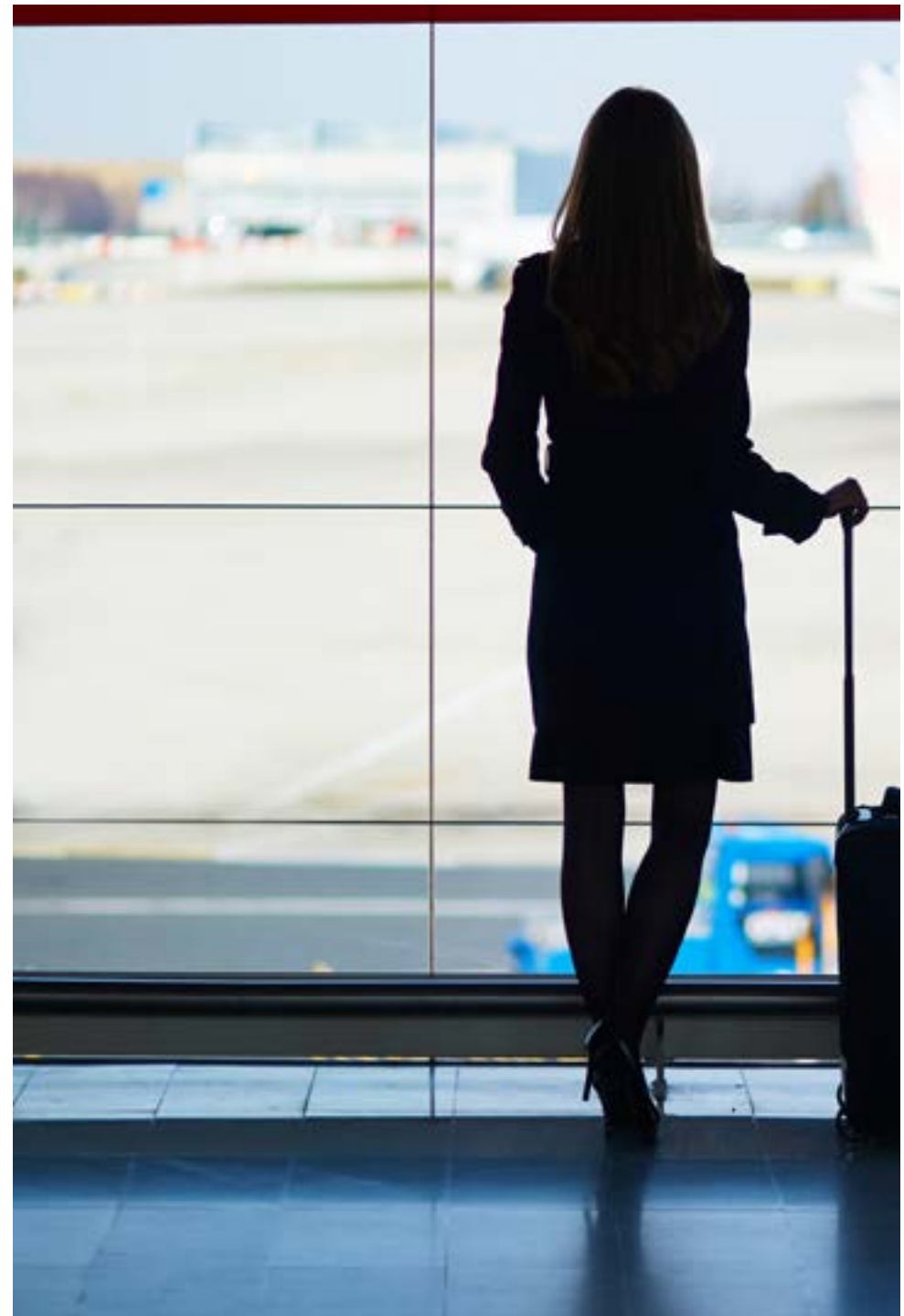
**One common operating model**, with a process landscape that is based on standard IT solution. This will enable a virtual operation model where synergies for Denmark and Sweden can be harvest.

**One IT**, Make a scalable, modern, long-lasting IT infrastructure that can integrate with partners and customers easily and in a cost efficient way. Lower future investment & development cost significantly as these will only apply to one product & service and process set-up. Shared/lower development costs, lower operational costs due to process benefits, enlarged data for UW etc., shared/lower IT operational costs, purchasing power.

## Strong foundation

Culture and people are the core of our business; the people and their knowledge, attitude and passion. We need all people in all functions to work as one team to secure and create a strong company. We aim to create an environment where ERV Nordic employees are proud and eager to work.

Secure licence to operate is an integrated part of ERV Nordic's core business. "To insure is to understand" and that is how we protect our customers interest. This includes systematic risk management, continuous improvement of corporate compliance as well as development of employee's skills and competences.





### ERV Nordic's financial result

In 2017 ERV Nordic realised a profit of DKK 10.9m, which is approximately DKK 32.1m below last year. The substantial shortfall can primarily be attributed to the decreased income from affiliated companies and negative bond investment outcome. Furthermore we have had a negative claims development in our ERV Sweden Leisure and Card segments and we saw extraordinary costs related to merging our two Nordic entities during the year.

Gross written premium amounts to DKK 413.2m against DKK 414.7m in 2016, a slight decrease of DKK 1.5m. The decrease is primarily due to decreasing turnover of our ERV Denmark Unemploy-

ment product and Nordic Health Care products which has been in line with our strategy. In both ERV Denmark and ERV Sweden we have however also seen sales decrease on our Leisure segment, whereas the corporate segment has seen quite stable sales results. In ERV Sweden we have on the other hand seen a substantial increase of gross written premium in the Card segment due to a couple of new major Card-business agreements.

Gross claims incurred amount to DKK 207.6m against DKK 209.2m in 2016 which is a decrease of DKK 1.6m. The gross claims costs for 2017 have been partly satisfactory with a gross claims ratio of 50.3 %.

We have seen satisfactory claims records of our products in the ERV Denmark leisure market, which has been quite positively affected by run-off gains and we have also in total had an acceptable claims record of our ERV Nordic corporate products. But in comparison to last year we have however seen an increased claims ratio on the ERV Sweden Leisure segment, where we have seen an increase in major claims and within the ERV Sweden Card segment we have also seen higher than expected claim levels.

The result of reinsurance recoveries and change of reinsurer's share of claim provisions shows a compensation for ERV Nordic of DKK 2.9m in 2017 against DKK 21.0m in 2016. The decrease is primarily due to lowered volume of the ERV Denmark Unemployment product which is 100% reinsured to AmTrust International Underwriters Limited based in Ireland.

The claims costs net of reinsurance amount to DKK 204.7m against DKK 188.2m in 2016 which is an increase of DKK 16.5m. The claims ratio net of reinsurance is 50.5% against 48.4% in 2016.

Net operating expenses for 2017 amounted to DKK 195.3m against DKK 180.9m in 2016, an increase of DKK 14.4m.

Acquisition costs amount to DKK 103.3m against DKK 100.3m in 2016, an increase of DKK 3.0m. The increase is partly driven by increased sales of specific products and sales through certain

sales channels with relative high commission costs. Further to this organizational adjustments effecting a more sales and customer oriented approach has increased the acquisition costs.

The administrative expenses amount to DKK 92.4m against DKK 84.9m in 2016 which is an increase of DKK 7.5m. Mainly amortization costs related to the finished parts of our new Nordic IT, redundancy costs due to adjustments of the organisation and increased costs for external consultants related to mainly the ERV Sweden-to-ERV Denmark branching project means that the operating expenses are higher in 2017 than in 2016.

Commissions and profit commissions from reinsurance amount to an income of DKK 0.5m compared to 4.2m in 2016. The development is due to the decreased volume of our Unemployment product.

The total result of business ceded shows a loss for ERV Nordic of DKK 6.4m in 2017 against a loss of DKK 8.6m in 2016. The decrease is primarily due to lowered volume of the ERV Denmark Unemployment product as already described.

The above described development in sales, claims and operating expenses results in a profitable underwriting result of DKK 4.2m and was therefore much lower than in 2016 where it was DKK 19.3m. The cost ratio including acquisition costs amount to 47.3% against 43.9% in 2016.

Total combined ratio net of reinsurance (total costs measured in relation to earned premiums) is 99.2% against 95.9% in 2016.

The result of investment activities before transfer of technical interest amounts to a profit of DKK 6.4m against a profit of DKK 29.0m in 2016.

The result from affiliated companies is created by ERV Pojistovna a.s of which ERV Nordic owns 75% of the share capital. In 2017 it shows a profit of DKK 3.5m against a profit of DKK 18.2m in 2016. The main reason for the decreased result is because ERV Pojistovna a.s delivered an extraordinary good 2016 result significantly influenced by the sale of its subsidiary Euro-Center Prague to Euro-Center Holding. Further to that the result decreased due to an adjustment of the 2016 income from this company, which had a negative effect of DKK 3.3m in 2017.

The result from associated companies is created by Euro-Center Holding of which ERV Nordic owns 33,33% of the share capital. In 2017 it shows a profit of DKK 3.7m against a profit of DKK 1.6m in 2016.

Income from investment properties amounts to DKK 2.8m against DKK 2.3m in 2016. The increased income is affected by a couple of new tenants moving into our Copenhagen office building during the second part of 2016.

Interest income and dividends etc. for

the year amounts to DKK 10.4m compared to DKK 8.4m in 2016. As in 2016 our investment portfolio mainly consists of Danish and Swedish government bonds.

ERV Nordic is relatively sensitive to the development of the prices of bonds and exchange rates, etc. The company has had a net loss in connection with realised and unrealised gains & losses of bonds, bond-based unit trusts and exchange rates of a total of DKK 13.2m against a loss of DKK 0.7m in 2016. This year's loss is primarily due to unrealised losses in connection with value write-down of bonds.

Interest expenses amount to DKK 0.1m against DKK 0.3m in 2016. We focus on keeping these expenses as low as possible and have been successful in reducing them during 2017 compared to 2016.

Administrative expenses related to investments amounts to DKK 0.7m which is in the same level as last year. These expenses are primarily triggered by the services delivered by MEAG (Munich Ergo Assetmanagement GmbH) that is our appointed investment asset manager.

Interest on insurance provisions amounts to DKK 0.8m compared to DKK 0.6m in 2016. The increase is due to the increased interest rate and the increased insurance provisions.

Other income amounts to DKK 3.8m compared to DKK 3.2m in 2016 and other expenses amounts to DKK 2.5m compared DKK 2.1m in 2016. Other in-



come and expenses mainly stem from a number of administration agreements where we deliver our renowned claims handling and assistance services to customers that prefer to self-cover their insurance risks. We are very pleased that we during 2017 initiated yet another administration agreement, this time with The Danish Ministry of Foreign Affairs.

The tax of the year amounts to DKK 1.8m which is lower than last year due to the decreased result.

Receivables from policy holders amount to DKK 8.9m against DKK 9.6m in 2016, whereas receivables from insurance brokers amount to DKK 9.2m against DKK 8.5m in 2016.

At 31 December 2017, the company's

total capital and reserves amount to DKK 331.9m and total assets amount to DKK 593.2m.

### **Uncertainty in respect of recognition and measurement**

The statement of the accounted value of certain assets and liabilities is conditioned by applying accounting estimates. The estimates made are based on assumptions which the management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates.

### **Events after 31 December 2017**

No events have occurred subsequent to the balance sheet date, which would have a material influence on the financial position of the company.

## The result of the year compared to earlier statements

The company expected earlier the following for 2017:

*"We expect continued decrease in premium income for international health insurance and our Unemployment product. It is however difficult to continue the adjustment of the organisation and the fixed costs to the full extent of the expected premium decrease in 2017. At the same time Europæiske ERV does not expect run-off gains in 2017 to the same extent as for 2016 and do not expect the extraordinary high result from our affiliated company ERV Pojistovna a.s. This means that the expectations to the result for 2017 are substantially lower than for 2016.*

*Our owners ERV AG has decided to implement a branch structure between Europæiske ERV and our Swedish sister company ERV Försäkringsaktiebolag (publ), Company Reg. no: 502005-5447. The plan is to establish ERV Försäkringsaktiebolag as a branch of Europæiske ERV during 2017. We expect the branching of our Swedish sister company to have a positive effect on our result, but not substantially enough to counterbalance the expected development described above."*

The result of 2017 is below expectations, but satisfying considering the low investment outcome, higher than expected claims costs in some of our main segments and extraordinary costs related to merging our two Nordic entities.

## Outlook for 2018

We expect continued decrease in gross written premium in ERV Denmark for our international health insurance portfolio and in ERV Sweden we expect a decrease in the Card business due to a major discontinued Card-account agreement. At the same time ERV Nordic does not expect run-off gains in 2018 to the same extent as for 2017. On the other hand we in 2018 expect to see benefits of our new Nordic Leisure products and sales increases related to cooperation with new business partners on both the Danish and the Swedish market. Further we expect an improved result from our affiliated company ERV Pojistovna a.s. and less realised and unrealised losses on our investment portfolio.

In total this means that the expectations to the result for 2018 are at the same level as what ERV Nordic delivered for 2017. Management Positions Our Chief Executive Officer Beata Danuta Kalitowska-Zborowska has no other managing positions.

## The Board of Directors of ERV Nordic has the following management positions.

### Richard Bader, Chairman:

- Chairman of the Management Board of Europäische Reiseversicherung AG, Munich, Germany.
- Chairman of the Supervisory Board of ERV Pojistovna A.S., Prague, Czech Republic.
- Chairman of the Board of Directors of Globality S. A., Munsbach, Luxembourg  
Vice chairman of the Supervisory Board of Europäische Reiseversicherungs-Aktiengesellschaft, Vienna, Austria.
- Vice chairman of the Supervisory Board of Europai Utazasi Biztosito Rt., Budapest, Hungary.
- Member of the Board of Directors of ERV (China) Travel Service and Consulting Ltd., Beijing, China.
- Chairman of the Supervisory Board of Compagnie Européenne d'Assurances, Nanterre, France.
- President of European Travel Insurance Group, Utrecht, The Netherlands.
- Chairman of the Supervisory Board of Euro-Center Holding SE, Prague, Czech Republic.
- Deputy Member of the managing Steering Committees of Bundesverband der Deutschen Tourismuswirtschaft e. V., Berlin, Germany.
- Member of the Supervisory Board of Triple IP B.V., Culemborg, The Netherlands.
- Member of the Executive Committee of the Tysk-Svenska Handelskammaren, Stockholm, Sweden

### Oliver Wild, Board Member and Chairman of the audit committee:

- Member of the Supervisory Board of Legial AG, Munich, Germany.
- Member of the Supervisory Board of Compagnie Européenne d'Assurances, Nanterre, France.
- Member of the Supervisory Board of ERV Pojistovna A.S., Prague, Czech Republic

### Gabriele Bayer, Board Member and Member of the audit committee:

- Member of the Supervisory Board of CJSIC European Travel Insurance, Moscow, Russia.

### Jørn Sønderup, Board Member and Member of the audit committee:

- None.

### Christian Søndergaard, Board Member:

- None.

### Peter Fobian, Board Member:

- None.



## Pay Policy

In accordance with the executive order on pay policy and disclosure requirements on pay roll in financial companies and financial holding companies, ERV Nordic has prepared a pay policy which can be found at this link: <https://www.europaeiske.dk/privat/om-europaeiske/virksomheden/lonpolitik/>. Please also see note 7.

## Gender Composition in the Company's Governing Body

Section 99b of the Danish Financial Statements Act in combination with Section 79a of the Danish Financial Business Act requires that companies of a certain size set targets for the gender composition of the board of directors and the composition of the management and report on the matter. Regarding composition of management,

a policy for increasing representation of the underrepresented gender must be established in case the requirements on composition are not met. On the board of directors as well as in management the composition should be a 40/60 pct. distribution or the number/pct. which is closest to 40/60 pct. in accordance to guidance from the Danish Business Authority.

As a result of the merger this regulation now applies to ERV Nordic. Currently, women are the underrepresented gender on the board of directors, as there is only 1 woman out of 6 board members. ERV Nordic does therefore not meet the gender distribution of 40/60 pct. that in accordance to guidance from the Danish Business Authority would stipulate at least 2 women.

The board of directors has set the target that the composition of the board of directors should be at least 2 women out of 6 by 2022. No targets has been set previously as the board of directors had equal representation of both genders at the time of implementation of the legislation (April 1st 2013) until 2015 and the company did not have the size that requires targets for increasing the presence of the underrepresented gender in 2015 and 2016.

Regarding management level and the composition hereof, the Extended Nordic Management Team of ERV Nordic currently consists of 8 persons. One position is vacant and will be filled during Q2 of 2018. 4 members are women and 3 members are men. Regardless of the gender of the person taking the vacant position management meets the compo-

sition requirements for even gender distribution.

## Audit Committee

The Boards of Directors of ERV Nordic have established an Audit Committee. The Committee consists of three members of the Board of Directors.

The tasks of the Committee are set out in the "Audit Committee Charter" based on the Act on Approved Auditors and Audit Firms no. 1167 of 9 September 2016. The tasks of the Committee includes monitoring and control of the financial reporting process, the company's internal control system, risk management systems as well as the effectiveness of the internal audit function. Furthermore, the Committee monitors the statutory audit of the Annual Report and the independence of the auditors.

When performing its tasks, the Audit Committee ensures that due regard is given to matters important to the company. The work of the Audit Committee is based on supervision of historical events and does therefore not include future events, expectations or forecasts.

The Audit Committee held three meetings during 2017. These meetings were spread out during the year and among other held in connection with the yearly and half yearly reporting to the Company's Board of Directors and the Danish Financial Supervisory Authority.

## Risk Management

ERV Nordic is exposed to a variety of risks in the daily business and work actively to ensure that the risks are monitored and where possible mitigated. Risk management includes all strategies, methods and processes to identify, analyse, assess, control, monitor and report the short and long-term risks ERV Nordic face or may face in the future.

Risk management is performed at all levels and is organized according to the three "lines of defence";  
1st line: Risk takers  
2nd line: Risk Management Function, Actuarial Function, Compliance Function  
3rd line: Internal Audit Function  
ERV Nordic, in accordance with Solvency II, defines the 2nd and 3rd line of defence as the "Key Functions".

## Outline

Main risks of ERV Nordic:

- **Underwriting Risks**
- **Market Risks**
- **Operational Risks**

## Underwriting risks

Underwriting risks arise from inaccurate assessments of the compensations and other costs related to insurance policies.

It is the policy of ERV Nordic that the risks originating from the company's insurance business shall be covered or limited to such a level that the company will be able to maintain a normal operation and carry out planned initiatives even in case of a very unfavourable development. One of the measures is our excess of loss reinsurance agreements. To cover the risks in connection with disasters, the company has made reinsurance contracts limiting ERV Nordic's risks to about DKK 5.2m per claim event for all events except a pandemic. In the Standard model, this risk is estimated to DKK 182.1m.

## Market Risks

It is the aim of ERV Nordic to control the market risks in such a way that the company obtains a return corresponding to risks taken.

Main market risks:

- **Currency Risks**
- **Equity risk**
- **Property risk**
- **Market risk concentrations**

The currency risk is mainly related to

the investment in affiliated and associated companies denominated in Czech Koruna ("CZK") and the net assets in ERV Sweden denominated in Swedish krona ("SEK"). The investments in foreign entities and merger with ERV Sweden are based on strategic decisions.

In terms of the result, the company is sensitive towards the development in currency rates and the prices of bonds, shares and participations. The standard model calculation has been used to assess the risks and the necessary capital for this type of risks. This model demands a capital of DKK 70.3m in order to be able to cover the risk sufficiently with a confidence level at 99.5%, which means that ERV Nordic can meet the policyholders' claims for 199 years out of 200 years.

## Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inevitably linked to the business activities of ERV Nordic. They are addressed in a comprehensive internal control system (ICS) or through ad-hoc reporting.

The standard model calculation demands a capital of DKK 12.3m in order to be able to cover the operational risk sufficiently with a confidence level at 99.5%, which means that ERV Nordic can meet the policyholders' claims for 199 years out of 200 years.

## Capital Management

## Solvency II

The European solvency rules, Solvency II, became effective as of 1st of January 2016. Munich Re and ERGO Group, which ERV Nordic is a part of, started in 2009 a Solvency II project that has enabled timely and proper implementation of the SII principles. As for ERV Nordic the project has included among other continued adjustment and development of a standard model, implementation of a system for risk management (ICS), written ORSA (Own Risk and Solvency Assessment) reports and organizational implementation of the required key functions (risk management function, compliance function, internal audit function and actuarial function). As a continuation of the SII effort we delivered the SII narrative reports during 2017.

ERV Nordic's Solvency II requirement is calculated on the basis the company's risk profile, and therefore takes into consideration the composition of ERV Nordic's insurance portfolio, cash flow profile, technical provisions, reinsurance program, investment mix and risk diversification.

The board of directors of the company has estimated that a security level of 99.5% has to be used for the capital demands. ERV Nordic has calculated the capital requirement based on a security level of 99.5% and according to the Standard model under Solvency II which means that ERV Nordic can meet the policyholders' claims for 199 years out of 200 years. The model has been tested during the last 3 years and ERV Nordic has always had more than sufficient capital to meet the security level of 99.5%.

The solvency capital requirements (SCR) have been calculated to DKK 145.0m and shall be covered by the company's eligible own funds of DKK 267.6m as of 31st December 2017 affecting a solvency ratio of 185%.

Capital requirements	2017	2016
Eligible own funds	267,553	333,569
Solvency II requirements SCR	144,998	134,167
Solvency II requirements MCR	47,574	41,724

The above shown capital requirements are in accordance with Financial Business Act.

Appropriation of profit Available for appropriation Amount in DKK'000	2017	2016
Total comprehensive income	<u>10,457</u>	<u>35,127</u>
Recommended to be allocated as follows	2017	2016
To the Shareholder	10,893	62,817
Transferred to other reserves	2,061	10,303
Transferred to reserves	-2,498	-37,993
	<u>10,457</u>	<u>35,127</u>

## SIGNATURES OF THE BOARD OF MANAGEMENT AND THE BOARD OF DIRECTORS

We have today presented the annual report for 1 January – 31 December 2017 to ERV Nordic.

The annual report has been prepared in accordance with Financial Business Act. The annual report gives a true and fair view of the company's assets, liabilities and financial position as of 31 December 2017 together with the results of the company's activities for the financial year 1 January – 31 December 2017.

The management report contains a fair and true review of the development of the company's activities and financial performance together with a description of the most significant risks and elements of uncertainty that may have an impact on the company. We recommend the annual report to be approved at the annual general meeting.

Copenhagen, 11th of April 2018

### Board of Management:

**Beata Danuta Kalitowska-Zborowska**  
Chief Executive Officer

### CFO:

**Peter Steen Olsen**  
Chief Financial Officer

### Board of Directors:

**Richard Bader**  
Chairman of the Board

**Oliver Wild**  
Board Member and  
Chairman of the Audit Committee

**Gabriele Bayer**  
Board Member and Member of the  
Audit Committee

**Peter Fobian**  
Board Member, elected by the  
employees

**Christian Søndergaard**  
Board Member, elected by the  
employees

**Jørn Sønderup**  
Board Member and Member of the  
Audit Committee



# INDEPENDENT AUDITORS' REPORT

## To the shareholder of Europæiske Rejseforsikring A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Board or Directors and the Audit Committee.

### Audited financial statements

Europæiske Rejseforsikring A/S' Financial Statements for the financial year 1 January - 31 December 2017 comprising the income statement, statement of comprehensive income, balance sheet, statement of change in equity, and notes to the financial statements, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Business Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark.

Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We believe that the audit evidence

we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the additional requirements applicable in Denmark, and we have fulfilled our other ethical requirements in accordance with these requirements.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in article 5(1) in Regulation (EU) no. 537/2014 and that we remained independent in conducting the audit. We were appointed auditors of Europæiske Rejseforsikring A/S for the first time on 20 August 2014 for the financial year 2014. We have been re-appointed by resolutions passed by the annual general meeting for a total uninterrupted engagement period of four years up to and including the financial year ending 31 December 2017.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2017. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Claims provisions</b></p> <p>The claims provisions amount to 62,638 thousand at 31 December 2017 representing 11% of the company's total liabilities. Please see balance sheet.</p> <p>The valuation of these liabilities is highly judgmental because it requires estimation of future outcomes, including timing and ultimate full settlement of liabilities towards policyholders. The estimation of future outcomes is based on actuarial methods, which involve complex statistical methods and a number of assumptions such as loss ratios, estimates of the frequency and severity of claims and discount rates by territory and line of business. We have therefore considered it a key audit matter.</p> <p>The valuation of claims provisions depend on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.</p>	<p>With the assistance of our actuarial specialists, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>■ Assessment and test of controls related to the processes of claims handling and the recognition and measurement of provisions for known claims.</li> <li>■ Tested controls related to the actuarial estimates of the claims provisions of selected lines of business.</li> <li>■ We have tested the accuracy and the completeness of the data that are included in the actuarial estimates of the claims provisions.</li> <li>■ Comparison of assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends and benchmarking to our own industry knowledge including information relating to forthcoming legislation that may affect claims settlement speed or amount.</li> <li>■ Independent re-projection of the reserve balances for certain lines of business.</li> </ul>



### **Statement of the Management Review**

Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management Re-

view 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 in the Management Review.

### **Solvency ratio<sup>1</sup>**

Management is responsible for the key figure "Solvency ratio" included in note 2 "Statement of financial highlights and key figures" to the Financial Statements.

As disclosed in note 2, the solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the Financial Statements does not cover the 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 solvency ratio is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

### **Responsibilities of Management for the financial statements**

Management is responsible for the financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of the 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 assu-

<sup>1</sup> A legislation change to the Financial Business Act has been considered to change the classification of the solvency ratio from the disclosures to the management review, which will remove this statement from the audit opinion. The legislation has not been approved by now.

rance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing ('ISA') and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 content 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 11th of April 2018

**KPMG**  
**Statsautoriseret Revisionspartnerselskab**  
**Company Reg. No. CVR: 25 57 81 98**

**Anja Bjørnholt Lüthcke**  
State Authorised Public Accountant  
MNE: 26779

**Mark Palmberg**  
State Authorised Public Accountant  
MNE: 34319

# PROFIT AND LOSS ACCOUNT

Note	in DKK'000	2017	2016
	<b>Earned premiums</b>		
3	Gross premiums written	413,174	414,663
	Ceded insurance premiums	-7,884	-30,005
	Change in the provision for unearned premiums	2,862	10,402
	Change in the provision for unearned premiums, reinsurers' share	-1,846	-3,855
	<b>Total premium income, net of reinsurance</b>	<b>406,306</b>	<b>391,205</b>
4	<b>Technical interest, net of reinsurance</b>	<b>-771</b>	<b>-636</b>
	<b>Claims incurred</b>		
	Claim paid	226,673	218,926
	Reinsurance recoveries	-10,987	-20,136
	Change in the provision for claims	-18,048	-7,696
	Change in the provision for claims, reinsurers' share	8,128	-864
	<b>Total claims incurred, net of reinsurance</b>	<b>204,712</b>	<b>188,240</b>
	<b>Bonus and premium discounts</b>	<b>1,310</b>	<b>2,088</b>
	<i>Net operating expenses</i>		
5	Acquisition costs	103,328	100,253
6	Administrative expenses	92,445	84,919
	Commission and profit share from reinsurers	-491	-4,244
7	<b>Total net operating expenses, net of reinsurance</b>	<b>195,282</b>	<b>180,928</b>
8	<b>UNDERWRITING RESULT</b>	<b>4,231</b>	<b>19,313</b>
	<i>Income from investment assets</i>		
9	Income from affiliated companies	3,486	18,249
	Income from associated companies	3,657	1,631
	Income from investment properties	2,793	2,314
10	Interest income and dividends etc.	10,399	8,426
11	Value adjustment	-13,165	-656
	Interest expenses	-91	-296
	Administrative expenses on investments	-668	-697
	<b>Total return on investment activities</b>	<b>6,411</b>	<b>28,971</b>

Note	in DKK'000	2017	2016
4	Interest on insurance provisions	771	636
	<b>TOTAL RETURN ON INVESTMENT ACTIVITIES AFTER TECHNICAL INTEREST</b>	<b>7,182</b>	<b>29,607</b>
	<b>Technical interest, net of reinsurance</b>	<b>-260</b>	<b>261</b>
12	Other income	3,823	3,204
12	Other expenses	2,512	2,092
	<b>PROFIT BEFORE TAX</b>	<b>12,724</b>	<b>50,032</b>
13	Tax	1,831	7,022
	<b>PROFIT FOR THE PERIOD</b>	<b>10,893</b>	<b>43,010</b>

## STATEMENT OF COMPREHENSIVE INCOME

### Other comprehensive income

Exchange rate adjustment of foreign entities	3,848	-1,081
Tax release Contingency reserve	-4,284	-1,635
Other comprehensive income, currency adjustment	0	-5,167
<b>Comprehensive income</b>	<b>-436</b>	<b>-7,883</b>
<b>Result of the period</b>	<b>10,893</b>	<b>43,010</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>10,457</b>	<b>35,127</b>

# BALANCE SHEET AS OF 31 DECEMBER 2017

Note	in DKK'000			Note	in DKK'000		
		31/12 2017	31/12 2016			31/12 2017	31/12 2016
	<b>ASSETS</b>				<i>Debtors</i>		
	<i>Intangible assets</i>				Amounts owed by policy holders	8,857	9,635
14	Software	30,342	27,840		Amounts owed by insurance brokers	9,208	8,450
	Software, development projects	7,053	3,026		<b>Debtors arising out of direct insurance contracts, in total</b>	<b>18,065</b>	<b>18,085</b>
	<b>TOTAL INTANGIBLE ASSETS</b>	<b>37,395</b>	<b>30,866</b>		<i>Other debtors</i>		
	<i>Tangible assets</i>				Amounts owed by insurance companies	1,295	5,499
15	Operating equipment	1,347	1,607		Amounts owed by affiliated companies	8,098	13,480
16	Domicile	88,537	89,482		Other debtors	7,162	336
	<b>TOTAL TANGIBLE ASSETS</b>	<b>89,884</b>	<b>91,089</b>		<b>Total other debtors</b>	<b>16,555</b>	<b>19,315</b>
	<i>Investments in affiliated and associated companies</i>				<b>TOTAL DEBTORS</b>	<b>36,719</b>	<b>49,469</b>
17	Capital holdings (shares) in affiliated companies	63,968	65,161		<i>Other assets</i>		
17	Capital holdings (shares) in associated companies	21,910	18,656		Cash in hand and cash equivalent	10,192	24,964
	<b>Total investments in affiliated and associated companies</b>	<b>85,878</b>	<b>83,817</b>		Tax assets	0	1,891
	<i>Other financial investments</i>				Deferred tax assets	1,208	2,472
	Participating interests	33	33		Other	58	110
	Unit trusts	20,278	19,340		<b>TOTAL OTHER ASSETS</b>	<b>11,458</b>	<b>29,437</b>
25	Bonds	306,473	368,115		<i>Prepayments and accrued income</i>		
	<b>Total other financial investments</b>	<b>326,784</b>	<b>387,488</b>		Accrued interest	3,104	3,742
	<b>TOTAL INVESTMENT ASSETS</b>	<b>412,662</b>	<b>471,305</b>	18	Other prepayments and accrued income	3,227	3,885
	<i>Reinsurance share of technical provision</i>				<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>6,331</b>	<b>7,627</b>
	Reinsurance share of unearned premiums	56	1,901		<b>TOTAL ASSETS</b>	<b>594,449</b>	<b>679,793</b>
	Reinsurance share of claim provision	2,043	10,168				
	<b>Total reinsurance of technical provision</b>	<b>2,099</b>	<b>12,069</b>				

## BALANCE SHEET AS OF 31 DECEMBER 2017 - CONTINUED

Note	in DKK'000			Note	in DKK'000		
		31/12 2017	31/12 2016			31/12 2017	31/12 2016
	<b>LIABILITIES</b>						
	Capital and reserves				<i>Creditors</i>		
	<b>Shares capital</b>	<b>10,001</b>	<b>10,000</b>		Amount owed in connection with direct insurance business	10,577	1,580
	<b>Revaluation provisions</b>	<b>798</b>	<b>798</b>		Amount owed to reinsurance companies	196	727
	Reserves				Amounts owed to affiliated companies	3,063	11,328
	Contingency reserve, untaxed	182,900	204,529		Actual tax liabilities	1,994	3,516
	Net revaluation reserve	70,770	68,709	21	Other creditors	46,812	55,631
	<b>Total reserves</b>	<b>253,670</b>	<b>273,238</b>		<b>TOTAL CREDITORS</b>	<b>62,642</b>	<b>72,782</b>
	<b>Profit brought forward</b>	<b>56,510</b>	<b>37,379</b>		<b>TOTAL LIABILITIES</b>	<b>594,449</b>	<b>679,793</b>
	<b>Proposed dividend for the accounting year</b>	<b>10,893</b>	<b>62,817</b>	22	Contingency liabilities		
19	<b>TOTAL CAPITAL AND RESERVES</b>	<b>331,872</b>	<b>384,232</b>	23	Group ownership		
	Provisions for insurance contracts			24	Risks and Sensitivity		
	Provision for unearned premiums	119,734	122,334	25	Registered assets		
	Claim provisions	62,638	80,961	26	Split of classes of insurance in accordance with § 113		
	Risk margin on insurance contracts	7,727	8,780				
	<b>TOTAL PROVISION FOR INSURANCE CONTRACTS</b>	<b>190,099</b>	<b>212,075</b>				
	Provisions for other risks and charges						
20	<b>Deferred taxation</b>	<b>9,836</b>	<b>10,704</b>				
	<b>TOTAL PROVISIONS FOR OTHER RISKS AND CHARGES</b>	<b>9,836</b>	<b>10,704</b>				

## EQUITY SPECIFICATION

Amount in DKK'000	Share Capital	Revaluation Provisions	Net revaluation reserve	Contingency Reserve	Transferred Result	Proposed Dividend	Total
<b>Equity as of 1st January 2016</b>	10,000	798	54,822	216,817	62,831	39,200	384,468
Equity change per 1st January 2016, European Assistance Holding GmbH			3,584				3,584
<b>Restated equity as of 1st January 2016</b>	<b>10,000</b>	<b>798</b>	<b>58,406</b>	<b>216,817</b>	<b>62,831</b>	<b>39,200</b>	<b>388,052</b>
Dividend paid out						-38,947	-38,947
Provisions for other reserves			11,384		-11,384		0
Other comprehensive income, currency adjustment				-4,857	-57	-253	-5,167
Other comprehensive income, release of Contingency reserve				-7,431	5,796		-1,635
Other comprehensive income, adjustment for foreign entities			-1,081				-1,081
Profit for the year					43,010		43,010
Proposed dividend					-62,817	62,817	0
<b>Equity as of 31st December 2016</b>	<b>10,000</b>	<b>798</b>	<b>68,709</b>	<b>204,529</b>	<b>37,379</b>	<b>62,817</b>	<b>384,232</b>
<b>Equity as of 1st January 2017</b>	10,000	798	68,709	204,529	37,379	62,817	384,232
Increase of share capital	1				-1		0
Dividend paid out						-62,817	-62,817
Provisions for other reserves			-1,787		1,787		0
Other comprehensive income, currency adjustment				-2,156	2,156		0
Other comprehensive income, release of Contingency reserve				-19,473	15,189		-4,284
Other comprehensive income, currency adjustment of foreign entities			3,848				3,848
Profit for the year					10,893		10,893
Proposed dividend					-10,893	10,893	0
<b>Equity as of 31st December 2017</b>	<b>10,000</b>	<b>798</b>	<b>70,770</b>	<b>182,900</b>	<b>56,510</b>	<b>10,893</b>	<b>331,872</b>

# NOTE 1 - ACCOUNTING POLICIES APPLIED

## General

The annual report has been prepared in accordance with Financial Business Act and the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession-specific pension funds.

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

The annual report is presented in thousand DKK.

Accounting policies are unchanged from last year.

## Accounting estimate

The preparation of annual reports under the Danish Financial Supervisory Authority's executive order requires the use of certain critical accounting estimates and requires the management to exercise its judgment in the process of applying the company's accounting policies.

The statement of the accounted value of certain assets and liabilities is conditioned by applying accounting estimates. The estimates made are based on assumptions which the management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates. These esti-

mates are described in more details in the below-mentioned under the individual accounting items.

## Recognition and measurement

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

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value, however tangible and intangible assets are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable

to this financial period. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described below.

## Merger

The merger between Europæiske Rejseforsikring A/S and our Swedish sister company ERV Försäkringsaktiebolag (publ) was approved by the Danish FSA on the 8th of May 2017 and by the Swedish FSA on the 31st of August 2017 with retroactively effect as of 1st of January 2017. As the merger constitutes an intra-group business combination the statutory accounts for Europæiske Rejseforsikring A/S has been prepared using the aggregation method, so that the profit and loss and balance sheet items of the two merged entities to the extent possible have been added as if the companies had been merged from the beginning of the earliest year presented in the financial statement. This means that the 2016 result has been restated. For the period 2013-2015 it has however not been possible to present a merged profit and loss and balance sheet because of historical differences in bookkeeping methodology and solvency calculation rules between Europæiske Rejseforsikring A/S and ERV Försäkringsaktiebolag (publ).

The parent company of the merged entities is ERV AG. Europæiske Rejseforsikring A/S issued a share to ERV AG at

DKK 500 in connection with the merger of ERV Försäkringsaktiebolag (publ) into Europæiske Rejseforsikring A/S. The Swedish entity continues as a branch of Europæiske Rejseforsikring A/S by the legal name of Europeiska ERV Filial.

## Corrected value of associated company

The equity values of the associated company European assistance Holding GmbH have been stated to low in the annual reports for 2016 and before. The too low valuation is caused by the fact that a subsidiary of European assistance Holding GmbH were valued to 1 EUR in the annual report for European assistance Holding GmbH but the equity value of this subsidiary were 3.2 MEUR. This change from 1 EUR to the equity value weren't taken into consideration when Europæiske Rejseforsikring A/S valued European assistance Holding GmbH according to Danish accounting practice. Europæiske Rejseforsikring A/S had a shareholding at this company at 10% at the end of 2016. The too low valuation have at the end of 2016 thereby caused a 0.3 MEUR or in DKK a 2.4 MDKK valuation error in the assets and equity 31/12 2016.

Europæiske Rejseforsikring A/S were 1/1 2017 merged with ERV Försäkringsaktiebolag (publ) which also had a 10% shareholding in European assistance Holding GmbH. Europæiske Rejseforsik-



## NOTE 1 - ACCOUNTING POLICIES APPLIED - CONTINUED

ring A/S have therefore now a shareholding at 20% in European assistance Holding GmbH.

The comparative figures have also been restated for 2016 as the same valuation difference existed. The restatement has been done with the following amounts.

The effect on the result and equity is stated in the tables below.

Amount in DKK'000		
Effect at equity	1.1.2017	1.1.2016
<b>Equity</b>	<b>379,410</b>	<b>384,468</b>
Write up European Assistance Holding GmbH as of 1/1 2016	3,584	3,584
Other comprehensive income, currency adjustment for foreign entities	-149	
Changed result in European Assistance Holding GmbH	1,387	
<b>Net effect at equity</b>	<b>4,822</b>	<b>3,584</b>
<b>Equity according to changed valuation</b>	<b>384,232</b>	<b>388,052</b>

Effect at Profit and loss	1.1.2016
<b>Result if old accounting principle have been used</b>	<b>41,623</b>
Changed result in European Assistance Holding GmbH	1,387
<b>Effect of adjustment, post tax</b>	<b>1,387</b>
<b>Result according to new valuation</b>	<b>43,010</b>

The remuneration for the administration of the group's companies is based on the costs of such administration. The interest charged on intra-group accounts is the market rate when these accounts are not considered current business accounts.

Other services (including reinsurance) rendered as part of ordinary insurance operations to and from intra-group buyers are settled at market rates.

Intra-group trading in assets, including securities, is conducted at market prices. No significant intra-group trading with assets has taken place during the accounting year.

### Foreign currency transactions

The company's functional currency is DKK in respect of business and investments originating from Denmark. The functional currency used by the company's branch in Sweden is SEK.

Receivables and payables recognised 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.

Profit and loss of the foreign branch is

translated into the company's functional currency, DKK, at the exchange rate prevailing at the date of transaction. The value of the branch's balance sheet items are translated at the exchange rate prevailing at the balance sheet date.

### Consolidated accounts

The company has chosen not to prepare consolidated accounts in accordance with §134 in the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession-specific pension funds, as the company's ultimate parent company, Münchener Rückversicherungsgesellschaft, Munich, Germany, prepares consolidated accounts in which the company and its subsidiaries are included.

### PROFIT AND LOSS ACCOUNT

#### RESULT OF INSURANCE OPERATIONS

##### Premium income, net of reinsurance

Premium income, net of reinsurance consists of the premiums collected for the year less ceded reinsurance premiums, adjusted for movements in the unearned premium provision.

##### Technical interest, net of reinsurance

According to the Danish FSA's executive order, technical interest is presented as a calculated return on the year's average insurance liability provisions, net of rein-

insurance. The interest is applied according to the expected run-off pattern of the provisions.

Technical interest is reduced by the portion of the increase in net provisions that relates to unwinding of discounting.

### **Claims incurred, net of reinsurance**

Claims incurred, net of reinsurance consist of the claims paid together with direct and indirect costs for claims handling less reinsurance recoveries, adjusted for movements in the outstanding claims reserve.

As a result, claims incurred, net of reinsurance consist of reported and expected claims for the accounting year. Furthermore, run-of gains or losses on previous years' provision for outstanding claims are included in claims incurred. The portion of the increase of the provisions that relates to reduction of term has been transferred to technical interest.

Changes in provisions of claims due to changes in the yield curve and exchange rates are recognized as a value adjustment.

### **Bonus and premium rebates**

Bonus and premium rebates represent anticipated and reimbursed premiums where the amount reimbursed depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the business was written.

### **Insurance operating expenses, net**

Insurance operating expenses represent acquisition costs and administrative expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Administrative expenses are accrued to match the financial period.

### **Investment activities**

Income from affiliated companies includes the company's share of the affiliates' net profit.

Income from associates includes the company's share of the associates' net profit.

Income from investment properties before fair value adjustment represents the profit from property operations less property management expenses for the part of the property which is not used by the company.

Interest, dividends, etc. represent interest earned, dividends received, etc. during the financial period.

Realised and unrealised investment gains and losses are gains and losses on investments, value adjustment of land and buildings and exchange rate adjustments.

Investment management charges represent expenses relating to the management of investments.

### **OTHER ITEMS**

### **Other income and expenditure**

Other income and expenditure contain income and expenses on administration agreements, which cannot be attributed to the insurance portfolio.

### **Taxation**

Tax on the profit for the year is calculated on the basis of the profit for the year before tax, adjusted for non-taxable income and expenditure.

The company is jointly taxed with Danish group companies. Full intra-group tax equalisation is effected so that the company pays for the utilisation of contingent negative taxable income from the jointly taxed company and the company is refunded by the jointly taxed company for its utilisation of contingent taxable deficits of the company.

Deferred tax related to recapture of previously deducted deficits in foreign branches or affiliates' entities is included based on an actual assessment of the purpose of the individual entity.

Deferred taxes are provided for with 22% on all time differences between the result reported in the annual report and the result reported in the tax return, and between the book value and taxable value of the company's intangible assets, investment assets, operating equipment and debts.

If deferred tax constitutes a tax asset, it is included in the assets, if it is most probably that it can be used in the future.

The tax liable on the contingency reserve (contingent tax) is not provided for in the balance sheet.

The company has not made provisions for deferred tax on contingency funds as it is not likely that a situation will arise within the foreseeable future which will result in taxation.

### **BALANCE SHEET**

#### **Intangible assets**

The assets are measured at the acquisition costs with deductions of the write down. A straight-line write down is applied based on the following assessment of the assets' expected useful lives:

- **Software, presently 3-5 years**

Costs that are directly associated with the production of identifiable and unique software products are recognised as intangible assets. Direct costs include the software development team's employee costs and other directly related overheads. All other costs associated with developing or maintaining computer software are recognised as an expense as incurred.

After completion of the development the asset is written down on a straight-line basis over the expected useful life, however, presently with a maximum period of 5 years. The basis of writing down is reduced by any impairment write downs.

#### **Operating equipment**

Fixtures and operating equipment are measured at cost less accumulated write down and any accumulated impairment losses. Cost encompasses the purchase price and costs directly attributable to the acquisition of the relevant assets until the time when the asset is ready to be brought into use.

The tangible assets are written down on a straight-line basis from the following assessment of the assets' expected useful lives, as follows:

Furniture and other operating equipment, presently	5 years
Computer hard and software, presently	3 – 5 years
Motor vehicles, presently	5 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on disposals and retirements are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### Impairment of intangible assets and operating equipment

Finalized development projects 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 operating 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.

### Domicile

Domiciles are measured in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed regularly to avoid the carrying amount differing from the domicile's fair value at the balance sheet date.

The fair value is calculated based on a market-determined rental income, as well as operating expenses in proportion to the property's required rate of return in percent.

Increases in the revalued carrying amount of domiciles are credited in equity, unless the increase corresponds to a decrease previously credited to the income statement. Decreases are credited to the income statement unless the decrease corresponds to an increase previously credited to equity.

The write downs are recognized in the profit and loss account over their useful lives. The expected useful life is measured regularly.

Europæiske Rejseforsikring A/S assessed at the time of the change-over to the rules of Danish Financial Supervisory Authority's executive order on financial reports that the useful life is 50 years and the scrap value is 70%.

### Capital holdings (shares) in affiliated and associated companies

Shareholdings are stated at their equity value using the equity method. As a result, the shareholdings are shown in the balance sheet as the pro rata share of the companies' equity value, and the company's share of the result is included in the profit and loss account under "income from affiliated or associated companies".

The total net revaluation of capital holdings in affiliated and associated companies are included in the net revaluation reserve in equity, if the book value is higher than the cost price.

### Other financial assets

Listed bonds and capital investments are stated at the price listed at closing time on the date of the balance sheet. However, drawn bonds are stated at fair value.

Unlisted capital investments are stated as the estimated market value, based on the last available annual accounts of the

company in question.

Secured loans are stated as the estimated fair value at the balance sheet date.

The settling day is used as the time of calculation for all investment assets.

### Reinsurers' share of provisions for insurance contracts

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance share of the technical provision.

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

The benefits to which the company is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of claim provisions for insurance contracts.

The reinsurers' share of the provisions for claims is measured at discounted value if such discounting is material. The future payments will be discounted back according to the zero coupon interest rate structure set by the Danish Financial Supervisory Authority.

The company assesses continuously its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

### **Debtors**

Debtors are stated net of a bad debt reserve calculated on the basis of an individual assessment of the debtors.

### **Accruals**

Accruals, reported under assets, comprise cost paid relating to the following financial period.

## **EQUITY**

### **Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets.

### **Revaluation reserves**

Revaluation of owner-occupied property is recognized in other comprehensive income unless the revaluation offsets a previous impairment loss. Revaluation reserves show the net revaluation of the owner-occupied property.

### **Contingency reserves**

The Danish contingency reserve is recognized as part of retained earnings under equity. The reserve may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. The funds allocated to the contingency reserve are not taxed and

there has been no deferred tax allocated in the balance sheet.

The Swedish contingency reserve is reported as an untaxed reserve. Changes are recognized through equity. The basis for the calculation is based on a directive from the Swedish Financial Supervisory Authority. The directive indicates the maximum amount that may be allocated to the contingency reserve, based on written premiums and the provision for claims outstanding. ERV Sweden continuously calculates the maximum scope for provisions. At year-end the company had not utilized the maximum scope.

### **Other reserves**

The total net revaluation of capital holdings in affiliated and associated companies is recognized via appropriation of profit to the net revaluation reserve in equity (other reserves), if the book value is higher than the cost price.

Currency adjustments comprise exchange differences arising from translation of the contingency reserve and the equity of foreign entities at the beginning of the year to the exchange rate prevailing at the balance sheet date.

### **Proposed dividend**

The proposed dividend is recognized as a liability at the time of the adoption by the shareholders at the annual general meeting. Dividend to be paid out for the year is shown as a separate item under equity.

## **TECHNICAL RESERVES**

### **Provisions for insurance contracts**

The company have chosen to use the

simplified calculation of premium provision according to the Danish Executive Order on Financial Statements § 69a. Provisions for insurance contracts are recognised as future payments including payments for administration and claims handling regarding future events for in-force policies. However, as a minimum to the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any variations in the incidence of risk. For new annual insurance policies, where a considerable part of the risk is in the immediate continuation of the date they become effective, we add as income 50% of the premium within the first 2-3 weeks and then distribute the rest according to the pro rata temporis principle.

The provisions also include amounts reserved to cover risk in connection with increasing age. These provisions are reserved when there no longer is a natural premium and the risks covered increase with the insured person's age.

The provisions for insurance contracts are recognised, taking into account, the deductions for direct acquisition costs.

### **Provisions for claims**

Provisions for claims include direct and indirect claims handling costs arising from events that have occurred up to the balance sheet date. Provisions for claims are estimated using the input of assessments for individual cases reported to the company and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court

decisions).

Claims provisions are discounted. Discounting is based on a yield curve reflecting duration applied to the expected future payments from the provision.

### **Risk margin on insurance contracts**

Risk margin on insurance contracts are the expected amount payable if the company's portfolio of insurance contracts were transferred to another company.

### **Provisions for bonus and premium rebates**

Provisions for bonus and premium rebates represent amounts expected to be paid to policyholders in view of the claims experience during the financial year.

### **Liability adequacy test**

Tests are continuously performed to ensure the adequacy of the technical provisions. In performing these tests, current best estimates of future cash flows of claims, gains and direct and indirect claims handling costs are used. Any deficiency is charged to the income statement by raising the relevant provision.

### **Financial liabilities**

Bond loans, debt to credit institutions, etc. are recognised at the raising of the loan at a fair value plus transaction costs incurred.

### **Debt**

Other liabilities are measured at net realisable value.

## 2 Five-year review\*

<b>Profit and Loss</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Gross premiums earned	416,036	425,065	292,576	315,504	407,916
Gross claims incurred	207,571	209,240	151,508	144,747	191,681
Total operating expenses	195,773	185,172	96,399	96,287	143,036
Result of reinsurance (- = net cost)	-6,380	-8,616	-18,494	-28,233	-42,379
Underwriting result	4,231	19,313	24,444	45,000	29,811
Profit/loss of investment after transfer of technical interest	7,182	29,607	15,627	19,614	2,512
Profit for the year	10,893	43,010	33,741	50,882	26,397
Gross run-off profit/loss	11,836	7,174	4,536	15,039	24,475
Run-off profit/loss, net of reinsurance	9,655	10,171	4,350	14,582	18,172
<b>Assets and Liabilities at</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Insurance assets	2,099	14,828	14,828	20,219	75,313
Technical provisions	190,099	212,075	162,368	166,963	218,189
Capital and reserves at year-end	331,872	384,232	263,342	282,414	259,233
Total assets	594,449	679,793	479,092	516,966	559,392
<b>Key figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Gross claims ratio	50.30%	49.94%	52.05%	46.10%	47.16%
Gross expense ratio	47.33%	43.92%	33.68%	31.36%	35.73%
Reinsurance ratio	1.54%	2.04%	6.35%	8.99%	10.43%
Combined ratio	99.17%	95.90%	92.08%	86.45%	93.32%
Operating ratio	99.23%	95.90%	91.70%	85.68%	92.67%
Relative run-off result	14.62%	7.96%	8.05%	18.04%	18.63%
Return on capital and reserves	3.04%	12.90%	12.36%	18.79%	10.13%
Solvency cover (not audited)**	185%	249%	306%	455%	387%

(\*) For the period 2013-2015 it has not been possible to present a merged profit and loss and balance sheet because of historical differences in bookkeeping methodology and solvency calculation rules between Europæiske Rejseforsikring A/S and ERV Försäkringsaktiebolag (publ). In the period 2013-2015 it is therefore only figures for Europæiske Rejseforsikring A/S.

(\*\*) Solvency cover for 2015-2017 is based on Solvency II calculation method (standard formula) and a ratio of eligible own funds to SCR. Solvency cover for 2013-2014 is based on Solvency I calculation method in percent of base capital. The key figure "solvency cover" is exempted from audit according to appendix 9 in the executive order no. 937 of July 27th 2015 and is therefore not audited.

Note in DKK'000

3	<b>Gross earned premiums</b>	<b>2017</b>	<b>2016</b>
	Gross premiums	413,173	414,664
	Change in the gross provision for unearned premiums	2,862	10,402
	<b>Gross earned premiums for the year</b>	<b>416,035</b>	<b>425,066</b>
	<i>Distribution:</i>		
	Direct business	415,448	424,603
	Indirect business	587	464
		<b>416,035</b>	<b>425,066</b>
	<i>Geographic distribution of direct business:</i>		
	Denmark	194,176	221,860
	EU countries	194,431	173,369
	Non-EU countries	26,842	29,374
		<b>415,448</b>	<b>424,603</b>
4	<b>Technical interest, net of reinsurance</b>		
	Interest yield from the year's average technical provisions, net of reinsurance, transferred from investment business		
	Provision for Insurance contracts, year start	212,075	162,368
	Reinsurance share of technical provisions, year start	-12,069	-14,828
	Provisions for insurance contracts, year end	190,099	143,924
	Reinsurance share of technical provisions, year end	-2,099	-11,637
	<b>Total</b>	<b>388,006</b>	<b>279,827</b>
	Average	194,003	210,350
	Interest rate in accordance with the Danish FSA	-0,40%	-0,30%
	Interest on technical provisions	<b>-771</b>	<b>-636</b>

	Technical interest, net of reinsurance	<b>-771</b>	<b>-636</b>
5	<b>Acquisition costs</b>		
	Total acquisition costs	<b>103,328</b>	<b>100,253</b>
	of which:		
	Commission for direct business	50,192	49,773
	Commission for indirect business	33	7
		<b>50,225</b>	<b>49,780</b>
6	<b>Administrative expenses</b>		
	Administrative expenses	75,643	70,974
	Duties and contributions etc	8,014	7,853
	Depreciation	8,963	6,948
	Reimbursements from affiliated and associated companies	-175	-856
		<b>92,445</b>	<b>84,919</b>
	<b>Total fees paid to auditors appointed by the company at the general meeting:</b>		
	Statutory audit services	1,387	1,246
	Fee for other assurance engagements	76	20
	<b>Total</b>	<b>1,464</b>	<b>1,266</b>

Note in DKK'000

7	<b>Staff costs</b>	<b>2017</b>	<b>2016</b>
	Net operating expenses include the following staff costs:		
	Wages and salaries	77,880	83,053
	Other expenses for social security	11,307	9,976
	Pension scheme contributions	9,623	8,877
	Payroll tax	8,014	7,853
		<b>106,824</b>	<b>109,759</b>

Total remuneration paid to:

**Board of Directors**

Number	6	6
Fixed salary	2,791	2,759
Variable salary	1,974	1,453
	<b>4,765</b>	<b>4,212</b>

**Remuneration of the Board of directors:**

Richard Bader (entered 20.12.2011)*	4,645	4,092
Oliver Wild (entered 23.11.2015)	0	0
Gabrielle Bayer (entered 10.04.2013)	0	0
Jørn Sønderup (entered 17.08.2011)	40	40
Peter Fobian (entered 13.03.2012)	40	40
Christian Søndergaard	40	30
	<b>4,765</b>	<b>4,212</b>

**Audit Committee:**

Jørn Sønderup	30	30
	<b>30</b>	<b>30</b>

**Board of Management \***

Number	1	1
Fixed salary**	3,196	3,287
Variable salary	690	892
	<b>3,886</b>	<b>4,179</b>

**Other employees with activities of considerable influence on the company's risk profile:**

Number	7	7
Fixed salary**	8,612	9,153
Variable salary	1,050	696
	<b>9,662</b>	<b>9,849</b>

There is no pension obligations towards the BoD or the BoM,

\* Remuneration is the total remuneration for CEO or board positions within the Munich Re Group.

\*\*The entry fixed salary includes fixed salary, pension and tax value of company car, telephone etc.

**Incentive Schemes**

The Board of Management, i.e. the CEO, has the possibility to receive a bonus of maximum TDKK 1.598 if specific targets are reached in accordance with the contract however meeting local legislation.

The average of full-time staff	<b>146</b>	<b>155</b>
--------------------------------	------------	------------

The company has been informed that the Board of Directors and Board of Management has not received any fees from other companies in the Group.

Note In DKK'000

2017 2016

## 8 Breakdown of underwriting result

Earned premiums	414,725	422,978
Underwriting interest, net of reinsurance	-771	-636
Claims incurred incl. change in Risk Margin	-207,571	-209,240
Administrative expenses	-92,445	-84,919
Acquisition costs	-103,328	-100,253
<b>Profit from gross operations</b>	<b>10,610</b>	<b>27,930</b>
Cede insurance premiums	-9,730	-33,860
Reinsurance recoveries	2,859	21,000
Reinsurance commissions and profit participation	491	4,244
<b>Result of ceded business</b>	<b>-6,380</b>	<b>-8,616</b>
<b>Underwriting profit</b>	<b>4,230</b>	<b>19,314</b>
<b>Total claims incurred, net of reinsurance, run-off</b>		
Gross run-off profit/loss	11,836	7,174
Run-off profit/loss, ceded	-2,180	2,998
<b>Total claims incurred, net of reinsurance, run-off, total</b>	<b>9,655</b>	<b>10,171</b>

2017 2016

## 9 Income from affiliated companies

The year's net result in Evropská Cestovní Pojistovna a.s. Czechia	3,486	18,249
	3,486	18,249

## 10 Interest income and dividends etc.

Interest income	10,334	8,328
Dividend from participating interests	65	98
	10,399	8,426

## 11 Realised and unrealised gains and losses, net

Participating in unit trusts, bond based	31	28
Participating in unit trusts, share based	1,296	1,327
Bonds	-12,153	-2,548
Capital loss on instaiments and redemptions	0	-61
Exchanged rate adjustments	-2,339	598
	<b>-13,165</b>	<b>-656</b>

## 12 Other income and expenses

Income from administration arrangements	3,823	3,204
Expenses from administration arrangements	2,512	2,092
	<b>1,311</b>	<b>1,112</b>

## 13 Tax of the profit for the year

Current tax	2,373	3,783
Change in deferred tax	-542	3,018
Adjustment regarding prior years	0	221
	<b>1,831</b>	<b>7,022</b>
Taxes paid on account for the current year	<b>8,414</b>	<b>10,636</b>
<b>Effective tax rate</b>	%	%
Tax rate	22.0	22.0
Adjustment of tax from previous years	0.0	-1.9
Tax of non-taxable income and expenses	-8.0	-6.1
	<b>14.0</b>	<b>14.0</b>

## 14 Software

Cost at the beginning of the year	59,908	41,119
Additions and improvements of the year	9,600	18,789
Cost at the end of the year	<b>69,508</b>	<b>59,908</b>
Depreciation and write-downs at beginning of year	32,068	27,478
Depreciation and write-downs of the year	7,098	4,590
Total depreciation and write-downs at year-end	<b>39,166</b>	<b>32,068</b>
Net book value	<b>30,342</b>	<b>27,840</b>



	2017	2016
<b>15 Operating Equipment</b>		
Cost at the beginning of the year	37,630	37,734
Disposals during the year	-440	-732
Additions and improvements of the year	754	628
Cost at the end of the year	<b>37,944</b>	<b>37,630</b>
Depreciation and write-downs at beginning of the year	36,022	35,490
Depreciation and write-downs of the year	974	1,079
Disposals during the year	-374	-547
Exchange rate adjustments	-25	0
Total depreciation and write-downs at year-end	<b>36,597</b>	<b>36,022</b>
Net book value	<b>1,347</b>	<b>1,608</b>
<b>16 Land and buildings</b>		
Cost at the beginning of the year	117,426	113,451
Additions and improvements of the year	0	3,975
Cost at the end of the year	<b>117,426</b>	<b>117,426</b>
Depreciation and write-downs beginning of the year	30,988	29,898
Depreciation and write-downs of the year	945	1,090
Total depreciation and write-downs at year-end	<b>31,933</b>	<b>30,988</b>
Revaluations beginning the year	<b>3,044</b>	<b>3,044</b>
Total revaluations at year-end	<b>3,044</b>	<b>3,044</b>
Net book value	<b>88,537</b>	<b>89,482</b>
Net book value of land and buildings used for company operations	<b>39,523</b>	<b>39,945</b>
Real property value according to the last public assessment	<b>82,000</b>	<b>82,000</b>
The property has not been evaluated by external parties		

In 1992 the company acquired the building at 3, Frederiksberg Allé, in which the registered office is located. The yield used for the assessment of the market value of the building is

6.00%	6.00%
-------	-------

17 **Affiliated and associated companies**

	Affiliated company	Associated company
Acquisition cost, balance, beginning of the year	<b>12,020</b>	<b>3,088</b>
Acquisition cost, balance, year-end	<b>12,020</b>	<b>3,088</b>
Revaluations, balance, beginning of the year	53,141	15,568
Price adjustment of opening balance of capital and reserves	4,250	-402
Share of profit for the year	3,486	3,656
Dividends paid	-8,929	0
Revaluations, balance, year-end	<b>51,948</b>	<b>18,822</b>
Net book value, year-end 2017	<b>63,968</b>	<b>21,910</b>
Net book value, year-end 2016	<b>65,161</b>	<b>13,834</b>

Name and adress etc. can be found in the annual report section "Ownership"

**Group Ownership**

ERV Nordic is associated with the following companies:

	Registered office	Activity	Shareholding	Capital & Reserves
<b>Subsidiary:</b>				
ERV Pojistovna a.s.	Czech Republic	Insurance	75 %	85.291
<b>Associated company:</b>				
Euro-Center Holding SE	Czech Republic	Assistance	33.33 %	47.915
European Assistance Holding	Germany	Assistance	20.00 %	29.692

Note	In DKK'000	2017	2016
18	<b>Other prepayments and accrued income</b>		
	Prepaid wages and salaries	384	334
	Other prepayments and accrued income	2,843	3,551
		<b>3,227</b>	<b>3,885</b>
19	<b>Total capital and reserves</b>		
	The company's share capital consists of:		
	801 shares of DKK 500		
	200 shares of DKK 2,000		
	400 shares of DKK 8,000		
	6 shares of DKK 1,000,000		
	The shares are not divided into classes		
	DK contingency reserve	103,500	115,000
	SE contingency reserve	79,400	89,529
	<b>Total contingency reserve, untaxed</b>	<b>182,900</b>	<b>204,529</b>
	<b>Base capital and solvency margin:</b>		
	Total capital and reserves, according to annual report	331,872	384,232
	Intangible assets	-37,395	-30,866
	Deferred tax liability at Contingency reserve	-40,238	-44,996
	Lower technical provision in SII	3,286	33,475
	Deferred tax at technical provision above	-723	-8,349
	Deferred tax at software	8,161	4,804
	Different valuation of subsidiary in SII	2,648	-2,336
	Other minor valuation differences not specified	-58	-2,395
	<b>Eligible own funds (Solvency II)</b>	<b>267,553</b>	<b>333,569</b>

20	<b>Provisions for taxation</b>		
	Deferred tax is incumbent on the following items:		
	Owner-occupied property	6,258	6,174
	Bonds and mortgage debt	194	392
	Deferred acquisition costs, net of reinsurance	0	0
	Intangible fixed assets	3,383	4,138
	Operating equipment	-455	-540
	Risk margin	-753	-1,932
	<b>Total provision for deferred taxation</b>	<b>8,627</b>	<b>8,232</b>
	Is presented in the balance sheet as:		
	Deferred tax assets	-1,208	-2,472
	Reserves for deferred tax	9,835	10,704
		<b>8,627</b>	<b>8,232</b>
	<b>Contingency tax</b>		
	A release of the contingency reserve will trigger a tax of	<b>25,300</b>	<b>25,300</b>
		<b>25,300</b>	<b>25,300</b>
	The technical provision is not expected to fall below the level of 90% of 31 Dec. 1994. No provision for deferred tax on the contingency reserve has been made.		
21	<b>Other creditors</b>		
	PAYE taxes and labour market contribution	755	821
	Holiday pay obligations, salaried staff	9,814	10,580
	Social security benefit and other duties	908	887
	Other accrued costs	35,335	43,344
		<b>46,812</b>	<b>55,632</b>
22	<b>Contingency liabilities</b>		
	Leased cars	282	257
	Office space rental	1,874	1,929
	IT hardware lease	482	1,296
		<b>2,638</b>	<b>3,482</b>

## 23 Group Ownership

Europæiske Rejseforsikring A/S is a 100% owned subsidiary of ERV AG, Munich, Germany.

ERV AG, Munich, is a 100% owned subsidiary of ERGO Group AG, Düsseldorf, Germany.

ERGO Group AG, Düsseldorf, Germany, is a 100% owned subsidiary of Münchener Rückversicherungs-Gesellschaft, Munich, Germany.

The annual report for ERGO Group AG can be ordered on

<http://www.ergo.com/>

The annual report for Münchener Rückversicherungs-Gesellschaft can be ordered on <http://www.munichre.com/>

### *Inter group transactions*

The remuneration for the administration of the group's companies is based on the costs of such administration. The interest charged on inter-company accounts is the market rate when these accounts are not considered current business accounts.

Other services (including broker service, asset management and reinsurance) rendered as part of ordinary insurance operations to and from inter-company buyers are settled at market rates.

Inter-company trading in assets, including securities, is conducted at market prices. No significant inter-company trading with assets has taken place during the accounting year.

### *Consolidated accounts*

The company has chosen not to prepare consolidated accounts in accordance with §134 in the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession-specific pension funds, as the company's ultimate parent company, Münchener Rückversicherungsgesellschaft, Munich, Germany prepare consolidated accounts for the whole group.

Note In DKK'000

## 24 Risk Sensitivity

### *Underwriting risks*

Underwriting risks arise from inaccurate assessments of the compensations and other costs related to insurance policies.

It is the policy of ERV Nordic that the risks originating from the company's insurance business shall be covered or limited to such a level that the company will be able to maintain a normal operation and carry out planned initiatives even in case of a very unfavourable development. One of the measures is our excess of loss of reinsurance agreements. To cover the risks in connection with disasters, the company has made reinsurance contracts limiting ERV Nordic's risks to about DKK 5.2m per claim event for all events except a pandemic. In the Standard model, this risk is estimated to DKK 182.1m.

### *Market risks*

It is the aim of ERV Nordic to control the market risks in such a way that the company obtains a return corresponding to risks taken.

Main market risks:

- **Currency risks**
- **Equity risk**
- **Property risk**
- **Market risk concentrations**

The currency risk is mainly related to the investment in affiliated and associated companies denominated in Czech Koruna ("CZK") and the net assets in ERV Sweden denominated in Swedish krona ("SEK"). The investment in foreign entities and merger with ERV Sweden are based on strategic decisions.

In terms of the result, the company is sensitive towards the development in currency rates and the prices of bonds, shares and participations. The standard model calculation has been used to assess the risks and the necessary capital for this type of risks. This model demands a capital of DKK 70.3m in order to be able to cover the risk sufficient with a confidence level at 99.5%, which means that ERV Nordic can meet the policyholders' claim for 199 years out of 200 years.

Incident	Impact on equity	
	2017	2016
Increase in interest rate of 0.7-1.0% point	-3,686	-3,889
Decrease in interest rate of 0.7-1.0% point	3,686	3,889
Price decrease of 12% on shares	-959	-874
Decrease in real estate of 8%	-4,548	-5,584
Exchange rate risk (VaR 99,5 pct.)	-5,550	-4,369
Loss of contracting parties of 8%	-887	-708
Total risk ex decrease in interest of 0.7 pct.	-15,630	-15,424

### *Operational risks*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inevitable linked to the business activities of ERV Nordic. They are addressed in a comprehensive internal control system (ICS) or through ad-hoc reporting.

The standard model calculation demands a capital of DKK 12.3m in order to be able to cover the Operational risk sufficient with a confidence level at 99.5%, which means that ERV Nordic can meet the policyholders' claim for 199 years out of 200 years.

### 25 **Registered assets**

The company has registered DKK 208.0m in bonds as security for payment in full to the policyholders cf. Financial Business Act §167.

Note In DKK'000 Split if classes of insurance in accordance with §113 in order on non-life insurance companies's annual reports

26

		Accident and health insurance	Fire and personal property (corporate)	Liability insurance	Other insurance	Total
1	Gross premium written	287,024	71,744	9,444	44,961	413,174
2	Gross premium earned	283,963	70,218	9,444	52,411	416,036
3	Gross claims incurred	-173,532	-15,064	-2,990	-17,238	-208,625
4	Bonus and premium discounts	-1,310	0	0	0	-1,310
5	<i>Change in Risk Margin</i>	587			466	1,054
	<i>Administration costs</i>	-63,098	-15,603	-2,099	-11,405	-92,445
	Acquisition costs	-48,314	-33,526	-1,665	-19,823	-103,328
6	Gross operating expenses	-111,412	-49,129	-3,763	-31,469	-195,773
	Profit from gross operations	-1704	6,025	2,691	4,170	11,382
7	Result of business ceded	-4,954	-558	-3,014	2,146	-6,380
9	Technical interest o.o.a.	-494	-124	-16	-77	-711
10	<b>Underwriting result</b>	<b>-7,152</b>	<b>5,344</b>	<b>-338</b>	<b>6,239</b>	<b>4,291</b>
	Number of compensations paid	26,776	8,089	90	5,475	40,430
	Average compensation for claims incurred	6.5	1.9	33.2	3.1	5.2
	Compensation ratio	17.0%	2.9%	40.5%	2.1%	5.9%