EUROPÆISKE REJSEFORSIKRING A/S

ANNUAL REPORT

2016

Europæiske Rejseforsikring A/S
Frederiksberg Allé 3
1790 Copenhagen V
DENMARK
CVR nr. 62 94 05 14

EUROPÆISKE ERV

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COMPANY NAME

EUROPÆISKE REJSEFORSIKRING A/S
3, Frederiksberg Allé
DK 1790 Copenhagen V
Tel.: +45 33 25 25 25

Registered in: Copenhagen Company Reg. No. CVR 62 94 05 14

BOARD OF DIRECTORS AND AUDIT COMMITTEE:

Richard Bader (Chairman), Oliver Wild, Jørn Sønderup,
Gabriele Bayer, *Christian Søndergaard, *Peter Fobian

*Elected by the staff

BOARD OF MANAGEMENT:

Johann-Dietrich von Hülsen, Managing Director

AUDIT:

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

Anja Bjørnholt Lüthcke	Mark Palmberg
State Authorised Public Accountant	State Authorised Public Accountant

MANAGEMENT REPORT 2016

Main activities of the company

Europæiske Rejseforsikring A/S' primary business areas are sale of travel insurance to the leisure market as well as the corporate market together with health insurance for companies' employees stationed abroad. The majority of travel insurance policies are sold either as trip-by-trip insurance or as annual travel insurance in connection with our 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.

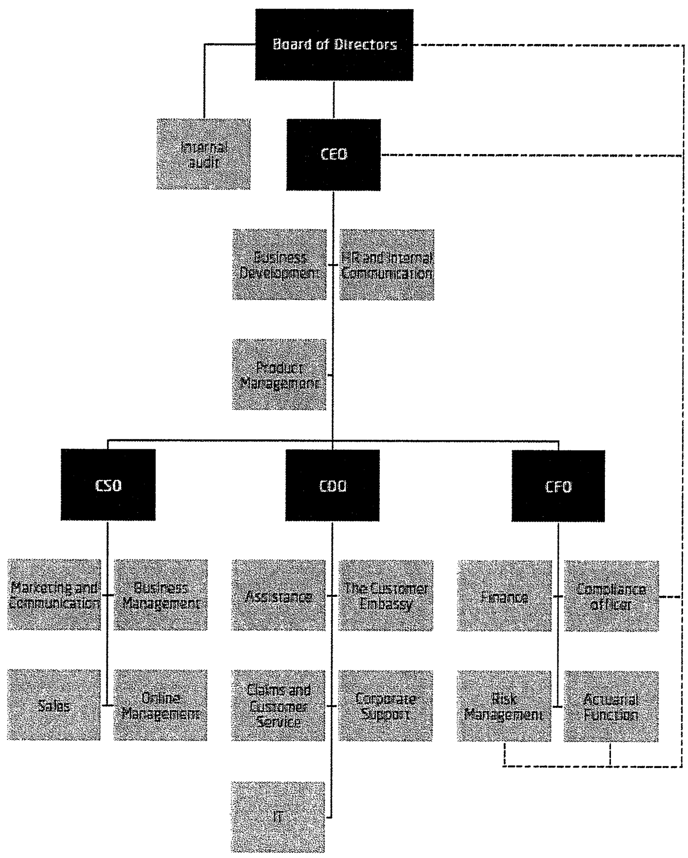
As the market leader within sale of travel insurance in the Danish market, it is essential we offer our customers 24 hour assistance, coverage of claims and related local services everywhere in the world.

Europæiske Rejseforsikring A/S uses the brand name Europæiske ERV. This is part of the strategic efforts to take advantage of the synergy and the brand value by being a part of the German based ERV Group.

Europæiske ERV's Values

Europæiske ERV's vision is to supply its customers with Denmark's best quality at a competitive price. Therefore, our target is to have an efficient organization with professional employees focusing on the customers' need for security and safety. This vision is also reflected in the ERV Groups 8 values, which are "Customer Focus", "Excellence", "Courage", "Passion", "Teamwork", "Forward Looking & Sustainable", "Openness & Trust" and "Leadership & Responsibility".

Organisation Chart



Product Development
The core of our business is safety. In our role as market leader, one of Europæiske ERV's main tasks is to aim at being ahead of the development and at all times provide new and improved services with relevance to our customers and which secure them the best possible way while travelling.

As a consequence of the discontinuation of the public health travel insurance cover through the yellow health card as of 1st August 2014, Europæiske ERV was the first insurer to develop new flexible annual travel insurance and trip-by-trip insurance adjusted to the new requirements. The new products have been designed as a Basic or a Plus travel insurance. For both types of insurance additional covers can be taken out for ski sport, cancellation, baggage, liability and accident. If the customer only wants a cover like the previous public health travel insurance cover under the yellow health card the customer can take out a Yellow Cover. All the insurance products can be bought with or without deductible.

Since the introduction of the new products we have noticed an increase in claims compared to the situation before the discontinuation of the yellow health card cover. This increase has however not been more than we anticipated when we launched the new products back in 2014 and we have therefore not seen any reasons to increase the prices on these products during 2016.

In the autumn of 2016 we thoroughly analysed the reasons behind the popularity of especially our Basic travel insurance and found out that the popularity mainly is due to clarity and structure of this insurance. Put in another way it is the simple insurance that appeals to our customers and consumers in general. Starting 1st of January 2017 we have therefore introduced a new and even more clear-cut version of our Basic travel insurance. The simplification of the Basic travel insurance effects an average price reduction in the area of 14-17% depending on how you want to be insured and in relation to where and how long you travel.

The Corporate Market
On the Corporate Market Europæiske ERV has continued the focus on creating profitable business in 2016. Europæiske ERV has maintained focus on communicating the news about our coverage and products to existing as well as to new customers.

One of the topics we have communicated to our corporate customers is compliance, namely the fact that we and our customers have to act in accordance with international agreements and local legislation when issuing insurance. Business Travel Insurance across borders is in itself not yet subject to very many rules or any joint control. But especially the western countries are working closer and closer together to regulate all parties in the transaction between the insured and the employers who insure them. The problem is two-sided: These requirements must not only be achieved where a company has its head office (e.g. in Denmark) but also where the company has interests and employees located abroad for shorter or longer periods.

Europæiske ERV has decided to take timely action on these challenges and to have a conservative attitude to compliance, to minimize the expected future risk for our customers and ourselves. With our compliance guidelines, which are based on ongoing analyses of the legal requirements internationally and locally, our aim is to make sure that our insurance solutions are in conformity with international and local rules and regulations.

The Leisure Market
For the Leisure travel market Europæiske ERV has during 2016 introduced a new and updated website.

To have an updated and modern website is a necessity nowadays and a prerequisite for being able to increase sales and customer self-service online. One important element of web usability is ensuring that the content works on various devices and browsers. With the new website it's now significantly easier for our visitors to buy insurances and/or find information online, regardless of whether they're using a computer, an iPad or smartphone.

Besides the implementation of a responsive website layout also a more user-friendly design and functionality has been implemented. This new modern and simplified design is based on customer needs and behaviour. And significantly improves flows both for booking and claims.

Nordic Health Care

International health insurance is no longer a part of Europæiske ERV's strategy. It was therefore decided to withdraw Nordic Health Care – Europæiske ERV's international health insurance brand – from the international health insurance market with effect from August 2013.

The above-mentioned decision means that our premium income from this line of business has had a declining trend since 2013. It will continue to decrease substantially, as Europæiske ERV expects that the majority of customers will change to another health insurance company within the next years.

Unemployment Insurance

Unemployment insurance is no longer a part of Europæiske ERV's future strategy and during 2015 we decided to transfer this business portfolio to our reinsurance partner. Thus AmTrust International Underwriters Limited based in Ireland was planned to take over these customers during 2016. Europæiske ERV informed the customers and received the Danish FSA's authorization. But as we afterwards encountered complications in receiving an approval by the Irish FSA we instead started to terminate the policies at renewal date. We have therefore experienced a significant decrease in this portfolio during the autumn of 2016 and we expect to be more or less out of this business by end of next year.

Europæiske's Claim handling

For more than 90 years, a well-developed international network has been our principal foundation, a foundation which is adjusted continuously and expanded concurrently with the development on the travel market and in accordance with the travellers' needs and wishes. Our strength is that Europæiske ERV own and/or controls all significant elements in the network enabling us directly to ensure the quality of our assistance.

Europæiske ERV'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-ambulances. Approximately 20% of the cases are complex medical cases, which are handled in close cooperation with our specialised sister assistance company Euro-Center.

In late 2015 we succeeded in establishing an enhanced cooperation, which meant that it during 2016 has been the Euro-Center Assistance office in Madrid that has handled all Europæiske ERV assistance service.

The enhanced cooperation has ensured Europæiske ERV assistance services a significant quality boost. Euro-Center offices are the entry to the regional areas and thus the local help and assistance for our customers. With service offices on six continents Europæiske ERV's customers have one of the world's largest medical networks of experienced professionals with them on the journey. It involves, among other Danish-speaking staff 24/7, specialist doctors, psychologists and nurses.

The development in the company's activities and financial matters

In 2016 Europæiske ERV realised a profit of DKK 42.8m, which is approximately DKK 9.3m above last year.

The improved result can primarily be attributed to the increased income from affiliated companies. The income from affiliated companies has increased with DKK 8.6 m due to an increased result of ERV Pojistovna a.s in the Czech Republic. Furthermore we have had unexpected run-off gains of DKK 8.1m net of reinsurance.

The underwriting result amounts to a profit of DKK 23.9m and was therefore almost at the same level as 2015 where it was DKK 24.1m.

Gross premiums written amounts to DKK 245.2m against DKK 280.6m in 2015 a decrease of DKK 35.4m. The decrease is primarily due to decreasing turnover of our Unemployment product and our Nordic Health Care products which has been in line with our strategy. We have however also seen sales decreases on both the Leisure and Corporate segments. On the Corporate segment this is partly explained by discounted premiums due to the good 2015 claims result as well as non-renewal of a few individual major accounts.

Gross claims incurred amount to DKK 131.5m against DKK 151.5m in 2015 which is a decrease of DKK 20.0m. The claims costs for 2016 have been satisfactory with a gross claims ratio of 52.0%. This is mainly due to the satisfactory claims record of our products in the leisure market, which has been quite positively affected by run-off gains. We have also in total had an acceptable claims record of our corporate products. But in comparison to last year we have however seen an increased claims ratio on the Corporate Stationed Abroad product.

The result of business ceded shows a loss for Europæiske ERV of DKK 6.5m in 2016 against a loss of DKK 18.5m in 2015. A decrease of DKK 12.0m compared to 2015. The decrease is primarily due to lowered volume of the Unemployment product.

The claims costs net of reinsurance amount to DKK 110.9m against DKK 129.4m in 2015 which is a decrease of DKK 18.6m. The claims ratio net of reinsurance is 49.7% against 53.0% in 2015.

Net operating expenses for 2016 amounted to DKK 88.3m against DKK 90.0m in 2015, a decrease of DKK 1.7m.

Acquisition costs amount to DKK 55.8m against DKK 52.8m in 2015, 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 36.3m against DKK 43.6m in 2015 which is a decrease of DKK 7.2m. Continued focus on cost reductions by e.g. lowered energy costs, lowered office supply costs and organizational adjustments means that the operating expenses have declined.

Commissions and profit commissions from reinsurance amount to an income of DKK 3.9m compared to 6.4m in 2015. The development is due to the decreased volume of our Unemployment product as already described.

The cost ratio, including acquisition costs and commission of ceded business amount to 36.5% against 33.7% in 2015. Total combined ratio net of reinsurance (total costs measured in relation to earned premiums) is 91.1% against 92.1% in 2015.

The result of investment activities before transfer of technical interest amounts to a profit of DKK 25.1m against a profit of DKK 15.4m in 2015.

The result from affiliated companies shows a profit of DKK 18.2m against a profit of DKK 9.6m in 2015. This result is created by ERV Pojistovna a.s of which Europæiske ERV owns 75% of the share capital. In 2016, the company had a turnover corresponding to DKK 119.0m. The company's annual report shows a profit of DKK 24.3m which is very satisfactory. Our share of the profit amounts to DKK 18.2m.

Result from associated companies shows a profit of DKK 0.1m against a profit of DKK 0.6m in 2015.

Income from investment properties amounts to DKK 2.3m against DKK 2.0m in 2015 partly effected by a couple of new tenants moving into our office building during 2016.

Interest income and dividends etc. for the year amounts to DKK 7.7m compared to DKK 9.0m in 2015. The development is due to the fact that interest rates have decreased to historically low levels in 2016 and that our investment portfolio is significantly lower than in 2015.

Europæiske ERV 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 2.5m against a loss of DKK 4.6m in 2015. The loss is primarily due to losses in connection with price adjustments on bonds.

Interest expenses amount to DKK 0.2m against DKK 0.6m in 2015. The trend of lowered expenses is mainly caused by a one-off interest expense that hit us in 2015.

Administrative expenses related to investments amounts to DKK 0.6m like last year. These expenses are primarily triggered by the services delivered by MEAG (Munich Ergo Assetmanagement GmbH) that is our appointed asset manager.

Other income amounts to DKK 3.2 m compared to DKK 3.3 m in 2015 and other expenses amounts to DKK 2.1 m compared DKK 2.0 m in 2015. Other income and expenses mainly stem from a number of administration agreements where we deliver our claims handling and assistance services to customers that prefer to self-cover their insurance risks.

The tax of the year amounts to an expense of DKK 7.5m like last year.

Receivables from policy holders amount to DKK 6.1m against DKK 6.5m in 2015, whereas receivables from insurance brokers amount to DKK 0.9m against DKK 1.2m in 2015. This decreasing development of receivables from policy holders and insurance brokers reflects the general volume decrease that we have seen in 2016 compared to 2015.

At 31 December 2016, the company's total capital and reserves amount to DKK 272.0m and total assets amount to DKK 467.6m.

The result of the year compared to earlier statements

The company expected earlier the following for 2016: "We expect continued decrease in premium income for international health insurance. 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 2016. At the same time Europæiske ERV does not expect run-off gains in 2016 to the same extent as for 2015. This means that the expectations to the result for 2016 are substantially lower than for 2015."

The result of 2016 has despite less than anticipated sales been better than originally expected. The good result can be attributed to the increased income of DKK 8.6 m from affiliated companies and the fact that we despite our expectations have had a run-off gain of DKK 8.1m net of reinsurance.

Ownership

Europæiske ERV 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 is a 100% owned subsidiary of Münchener Rückversicherungs-Gesellschaft, Munich, Germany.

Management Positions

The Managing Director Johann-Dietrich von Hülsen has the following management positions approved by the Board of Directors:

- Managing Director and Member of the Board of Directors of ERV Försäkringsaktiebolaget, Stockholm, Sweden.
- Member of the Board of Directors in European Travel Insurance Group, Amsterdam, Holland

- Member of the Board Stockholm International Water Institute, Sweden

The Board of Directors of Europæiske ERV has the following management positions.

Richard Bader, Chairman:
- Deputy Member of the managing Steering Committees of Bundesverband der Deutschen Tourismuswirtschaft e. V., Berlin, Germany.
- Member of the Supervisory Board of Euro-Center Holding SE, Prague, Czech Republic .
- Vice chairman of the Supervisory Board of Europäische Reiseversicherungs-Aktiengesellschaft, Vienna, Austria.
- President of European Travel Insurance Group, Utrecht, The Netherlands.
- 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.
- Director of Europäische UK Ltd., London, UK.
- Chairman of the Management Board of Europäische Reiseversicherung AG, Munich, Germany.
- Chairman of the Supervisory Board of Compagnie Européenne d`Assurances, Nanterre, France.
- Chairman of the Supervisory Board of ERV försäkringsaktiebolaget (publ), Stockholm, Sweden.
- Chairman of the Supervisory Board of ERV Pojistovna A.S., Prague, Czech Republic.
- Member of the Supervisory Board of Triple IP B.V., Culemborg, The Netherlands.

Oliver Wild, Board Member and Chairman of the audit committee:
- Member of the Supervisory Board of Europeiska Försäkringsaktiebolaget (publ), Stockholm, Sweden.
- Member of the Supervisory Board of Legial AG, Munich, Germany.
- Member of the Supervisory Board of Compagnie Européenne d`Assurances, Nanterre, France.

Gabriele Bayer, Board Member and Member of the audit committee:
- Member of the Supervisory Board of Europeiska Försäkringsaktiebolaget (publ), Stockholm, Sweden.
- Member of the Supervisory Board of CJSIC European Travel Insurance, Moscow, Russia.
- Member of the Supervisory Board of ERV Pojistovna A.S., Prague, Czech Republic.

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 executive order on pay policy and disclosure requirements on pay roll in financial companies and financial holding companies, Europæiske ERV 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.

Events after 31 December 2016
No events have occurred subsequent to the balance sheet date, which would have a material influence on the financial position of the company.

Outlook 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.

Audit Committee
The Boards of Directors of Europæiske ERV have established an Audit Committee. The Committee consists of three members of the Board of Directors. As the member with special qualifications in accounting, the Board of Directors has appointed Jørn Sønderup. The Board of Directors found that his qualifications met the legislative requirements. His appointment has also been notified to the Danish Financial Supervisory Authority.

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.

In 2016, the Audit Committee held two meetings in connection with the yearly and half yearly reporting to the Company's Board of Directors and the Danish Financial Supervisory Authority.

Uncertainty in respect of recognition and measurement
The statement of the accounted value of certain assets and liabilities is conditioned by applying the accounting estimate. 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.

Risk Management
Europæiske ERV overall risk profile originates from the risks connected with the running of the core business together with the financial and capital requirements. Europæiske ERV's aim is to monitor and control the contribution of each individual risks to the overall risk, in such a way that the possibilities to make the right decisions are optimised.

Europæiske ERV has implemented the necessary and relevant procedures and control functions with a view to minimize the risks in all business areas. The overall risk management guidelines and the framework are stipulated by the board of directors. The responsibility to follow-up on the individual risks and their risk factors is placed with Finance and it is reported to the management and the board of directors. We have further fostered our collaboration with the Integrated Risk Management Department of ERGO AG in Düsseldorf, Germany throughout 2016 to further improve our risk management capabilities.

Each business area works in a structured way with risk management and reports the efforts to the risk management.

Outline
The most important risks in Europæiske ERV:
- Underwriting Risks
- Market Risks
- Operational Risks

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

It is Europæiske ERV's policy 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 Europæiske ERV's risks to about DKK 5.2m per claim event. The company has estimated the effect of a widespread pandemic at DKK 16.3m at own account. The size of this risk is due to the fact that a pandemic is not seen as one claim. In the Standard model this risk is estimated to present an exposure of DKK 65.5m.

Market Risks
It is Europæiske ERV's aim to control the market risks in such a way that the company obtains a return corresponding to risks taken.

The most important risks are:
- Property risk
- Currency risk
- Equity risk
- Market risk concentrations

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 52.5m in order to be able to cover the risk sufficient with a confidence level at 99.5%, which means that Europæiske ERV can meet the policyholders' claims for 199 years out of 200 years.

Operational risks
Operational risks are the risks of losses stemming from inadequate or failed internal processes, people and systems or from external events. They are addressed in a comprehensive internal control system (ICS) which is performed on an annual basis. Each risk has been discussed and evaluated, and a responsible person has been assigned. Risk Management follows up on the status for each risk on a continuous basis. As of now, the risks are not assigned with an estimation of the economic impact, and this limits the basis for a quantitative measurement of the operational risk profile. Despite the above, the result in the Standard model is considered conservative and satisfactory.

The standard model calculation demands a capital of DKK 7.5m in order to be able to cover the Operational risk sufficient with a confidence level at 99.5%, which means that Europæiske ERV can meet the policyholders' claims for 199 years out of 200 years.

Capital Management

Solvency II

The European solvency rules, Solvency II, have become effective as of 1st of January 2016. Munich Re and ERGO Group, which Europæiske ERV is a part of, started in 2009 a Solvency II project that has enabled timely and prober implementation of the SII principles. As for Europæiske ERV 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 will during 2017 also deliver the SII narrative reports.

Europæiske ERV's solvency requirement is calculated on the basis of the Solvency II requirements. The board of directors of the company has estimated that a security level of 99.5% has to be used for the capital demands. Europæiske ERVhas calculated the capital requirement based on a security level of 99,5% and according to the Standard model under Solvency II which means that Europæiske ERV can meet the policyholders' claims for 199 years out of 200 years. The model has been tested during the last 3 years and Europæiske 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 97.6m and shall be covered by the company's eligible own funds of DKK 245m.as of 31st December 2016.

Capital requirements

	2016	**2015**
Eligible own funds	245,029	241,604
Solvency II requirements SCR	97,647	79,040
Solvency II requirements MCR	27,524	27,524

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

Appropriation of profit

Available for appropriation:

Amount in DKK'000

	2016	**2015**
Total comprehensive income	**42,164**	**36,034**

Recommended to be allocated as follows:

	2016	**2015**
To the Shareholder	62,817	33,496
Transferred to other reserves	9,222	3,256
Transferred to reserves	-29,875	-718
	42,164	**36,034**

SIGNATURES OF THE BOARD OF MANAGEMENT AND THE BOARD OF DIRECTORS

We have today presented the annual report for 1 January – 31 December 2016 to Europæiske ERV.

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 2016 together with the results of the company's activities for the financial year 1 January – 31 December 2016.

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, 6th of April 2017

Board of Management:

Johann-Dietrich von Hülsen
Chief Executive Officer

/ 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

We have audited the financial statements of Europæiske Rejseforsikring A/S for the financial year 1 January – 31 December 2016 comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.
In our opinion, the financial statements give a true and fair view of the Company's as-sets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Basis for opinion

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' report - continued

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the under-lying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Solvency ratio

Management is responsible for the key figure solvency ratio evident from the Five-year-rewiew on page 27 of the annual report of note 2 to the financial statements].

As disclosed in Five-year-rewiew note 2, the key figure solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the financial statements does not include the key figure solvency ratio, and we do not express any form of assurance conclusion thereon.

Independent Auditors' report - continued

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

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

Copenhagen, 6th of April 2017

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

Anja Bjørnholt Lüthcke	Mark Palmberg
State Authorised Public Accountant	State Authorised Public Accountant

Profit and loss account

Note	in DKK'000	2016	2015
	Earned premiums		
3	Gross premiums written	245.162	280.550
	Ceded insurance premiums	-27.021	-42.557
	Change in the provision for unearned premiums	11.144	12.026
	Change in the provision for unearned premiums, reinsurers' share	-3.846	-4.398
	Total premium income, net of reinsurance	**225.439**	**245.621**
4	**Technical interest, net of reinsurance**	**-226**	**-260**
	Claims incurred		
	Claims paid	138.688	149.492
	Reinsurance recoveries	-19.850	-23.058
	Change in the provision for claims	-6.507	2.330
	Change in the provision for claims, reinsurers' share	-655	992
	Change in Risk margin	-793	-314
	Total claims incurred, net of reinsurance	**110.883**	**129.442**
	Bonus and premium discounts	**2.088**	**1.471**
	Net operating expenses		
5	Acquisition costs	55.805	52.836
6	Administrative expenses	36.348	43.563
	Commission and profit share from reinsurers	-3.850	-6.395
7	**Total net operating expenses, net of reinsurance**	**88.303**	**90.004**
8	**UNDERWRITING RESULT**	**23.939**	**24.444**
	Income from investment assets		
9	Income from affiliated companies	18.249	9.606
	Income from associated companies	122	572
	Income from investment properties	2.314	1.996
10	Interest income and dividends etc.	7.671	9.004
11	Value adjustment	-2.472	-4.608
	Interest expenses	-246	-629
	Administrative expenses on investments	-554	-574
	Total return on investment activities	**25.084**	**15.367**
4	**Interest on insurance provisions**	**226**	**260**
	TOTAL RETURN ON INVESTMENT ACTIVITIES AFTER TECHNICAL INTEREST	**25.310**	**15.627**
12	Other income	3.204	3.319
12	Other expenses	2.092	2.042
	PROFIT BEFORE TAX	**50.361**	**41.348**
13	Tax	7.543	7.607
	PROFIT FOR THE PERIOD	**42.818**	**33.741**

STATEMENT OF COMPREHENSIVE INCOME

		2016	2015
	Other comprehensive income		
	Exchange rate adjustment of foreign entities	-653	2.293
	Comprehensive income	-653	2.293
	Result of the period	42.818	33.741
	TOTAL COMPREHENSIVE INCOME	**42.165**	**36.034**

Balance Sheet as of

Note	in DKK '000	31/12 2016	31/12 2015
	ASSETS		
	Intangible assets		
14	Software	18.808	11.271
	Software, development projects	3.026	3.195
	TOTAL INTANGIBLE ASSETS	21.834	14.466
	Tangible assets		
15	Operating equipment	1.305	1.792
16	Domicile	89.483	86.597
	TOTAL TANGIBLE ASSETS	90.788	88.389
	Investments in affiliated and associated companies		
17	Capital holdings (shares) in affiliated companies	65.161	55.782
17	Capital holdings (shares) in associated companies	6.917	7.074
	Total investments in affiliated and associated companies	72.078	62.856
	Other financial investments		
	Participating interests	33	33
	Unit trusts	19.340	9.922
25	Bonds	217.408	264.744
	Total other financial investments	236.781	274.699
	TOTAL INVESTMENT ASSETS	308.859	337.555
	Reinsurance share of technical provision		
	Reinsurance share of unearned premiums	1.819	5.664
	Reinsurance share of claim provision	9.818	9.164
	Total reinsurance share of technical provision	11.637	14.828
	Debtors		
	Amounts owed by policy holders	6.112	6.478
	Amounts owed by insurance brokers	941	1.242
	Debtors arising out of direct insurance contracts, in total	7.053	7.720
	Other debtors		
	Amounts owed by insurance companies	5.488	0
	Amounts owed by affiliated companies	4.790	1.852
	Amounts owed by associated companies	0	0
	Tax asset	1.803	0
	Deferred tax assets	1.488	1.788
	Other debtors	4.087	5.753
	Total other debtors	17.656	9.393
	TOTAL DEBTORS	36.346	31.941
	Other assets		
	Cash in hand and cash equivalent	7.061	3.223
	Other	110	83
	TOTAL OTHER ASSETS	7.171	3.306
	Prepayments and accrued income		
	Accrued interest	1.659	2.875
18	Other prepayments and accrued income	920	560
	TOTAL PREPAYMENTS AND ACCRUED INCOME	2.579	3.435
	TOTAL ASSETS	467.577	479.092

Balance Sheet as of

Note	in DKK '000	31/12 2016	31/12 2015
	LIABILITIES		
	Capital and reserves		
	Share capital	10.000	10.000
	Revaluation provisions	798	798
	Reserves		
	Contingency reserve, untaxed	115.000	115.000
	Net revaluation reserve	58.551	49.329
	Total reserves	173.551	164.329
	Proposed dividend for the accounting year	62.818	33.496
	Profit brought forward	24.844	54.719
19	**TOTAL CAPITAL AND RESERVES**	272.011	263.342
	Provisions for insurance contracts		
	Provision for unearned premiums	87.437	98.581
	Claim provisions	52.179	58.686
	Risk margin on insurance contracts	4.308	5.101
	TOTAL PROVISION FOR INSURANCE CONTRACTS	143.924	162.368
	Provisions for other risks and charges		
20	**Deferred taxation**	10.312	7.695
	TOTAL PROVISIONS FOR OTHER RISKS AND CHARGES	10.312	7.695
	Creditors		
	Amounts owed in connection with direct insurance business	4.122	4.753
	Amounts owed to reinsurance companies	76	1.616
	Amounts owed to affiliated companies	2.633	1.490
	Actual tax liabilities	0	7.401
21	Other creditors	34.499	30.427
	TOTAL CREDITORS	41.330	45.687
	TOTAL LIABILITIES	467.577	479.092

22 Contingency liabilities
23 Group ownership
24 Risks and Sensitivity
25 Registered assets
26 Split of classes of insurance in accordance with § 113

Equity specification

Amount in DKK '000	Share Capital	Revaluation Provisions	Net revaluation reserve	Contingency Reserve	Transferred result	Proposed Dividend	Total
Equity as of 1st January 2015	10.000	798	46.073	115.000	59.661	50.882	282.414
Dividend paid out						-50.882	-50.882
Provisions for other reserves			963		-963		0
Primo Risk Margin - net of tax					-4.224		-4.224
Other comprehensive income, provisions for revaluations							0
Other comprehensive income, currency adjustment for foreign entities			2.293				2.293
Profit for the year					33.741		33.741
Proposed dividend					-33.496	33.496	0
Equity as of 31st December 2015	10.000	798	49.329	115.000	54.719	33.496	263.342
Equity as of 1st January 2016	10.000	798	49.329	115.000	54.719	33.496	263.342
Dividend paid out						-33.496	-33.496
Provisions for other reserves			9.875		-9.875		0
Other comprehensive income, provisions for revaluations							0
Other comprehensive income, currency adjustment for foreign entities			-653				-653
Profit for the year					42.818		42.818
Proposed dividend					-62.818	62.818	0
Equity as of 31st December 2016	10.000	798	58.551	115.000	24.844	62.818	272.011

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 annual report is presented in thousand crowns.

Accounting policies have been adapted to the changed Danish Executive Order on Financial Statements that took effect on 1 January 2016.

The comparative figures have been restated for 2015 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 2016	**31.12.2015**	**1.1.2015**
Equity	**267.321**	**282.414**
Claim provision, best estimate	0	0
Risk margin	-5.101	-5.415
Premium/profit margin	0	0
Pre-tax effect	-5.101	-5.415
Tax	1.122	1.191
Net effect at equity 1/1 2016	**-3.979**	**-4.224**
Equity according to new accounting policy	**263.342**	**278.190**

Effect at Profit and loss	**2016**	**2015**
Result if old accounting princible have been used	**42.198**	**33.496**
Risk Margin, change	793	314
Tax effect	-174	-69
Effect of adjustment, post tax	**619**	**245**
Result according to new accounting policy	**42.817**	**33.741**

The company have chosen to use the simplified calculation of premium provision according to the Danish Executive Order on Financial Statements § 69a. This means that no changes have been implemented regarding the technical provision except the implementation of Risk margin described above.

Besides adaption to the new Danish Executive Order on Financial Statements, the accounting policies are unchanged compared to 2015.

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 the accounting estimate. 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 estimates 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.

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 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, 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 reinsurance.
The calculated interest return for the yearly average provision plus an actual interest from the present yield curve. 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, including gains and losses on derivative financial instruments, value adjustment of land and buildings, exchange rate adjustments.

Exchange rate adjustments: all items in the balance sheet in foreign currency are translated at the exchange rate ruling on the date of the transaction.

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 inter-company 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.

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	3-10 years

Costs that are directly associated with the production of identifiable and unique software products 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 10 years. The basis of writing down is reduced by any impairment write downs.

Intangible assets including development projects are written down to the lower of recoverable amount and carrying amount.

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.

Tangible assets are written down to the lower of recoverable amount and carrying amount.

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.

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 contingency reserves are recognized as part of retained earnings under equity. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. The funds allocated to the contingency reserves are not taxed and there has been no deferred tax allocated in the balance sheet.

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.

Note 1 – Accounting Policies Applied, continued

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

Profit and Loss	2016	2015	2014	2013	2012
Gross premiums earned	256.306	292.576	315.504	407.916	464.352
Gross claims incurred	131.388	151.508	144.747	191.681	297.350
Total operating expenses	92.153	96.399	96.287	143.036	142.282
Result of reinsurance (-=net cost)	-6.512	-18.494	-28.233	-42.379	-9.077
Underwriting result	23.939	24.444	45.000	29.811	15.201
Profit/loss of investment after transfer of technical interest	25.310	15.627	19.614	2.512	14.297
Profit for the year	42.818	33.741	50.882	26.397	26.033
Gross run-off profit/loss	5.109	4.536	15.039	24.475	1.299
Run-off profit/loss, net of reinsurance	8.069	4.350	14.582	18.172	321

Assets and Liabilities at	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Insurance assets	11.637	14.828	20.219	75.313	107.269
Technical provisions	143.924	162.368	166.963	218.189	306.802
Capital and reserves at year-end	272.011	263.342	282.414	259.233	262.178
Total assets	467.577	479.092	516.966	559.392	648.778

Key figures	2016	2015	2014	2013	2012
Gross claims ratio	52,00%	52,05%	46,10%	47,16%	64,20%
Gross expense ratio	36,49%	33,68%	31,36%	35,73%	31,19%
Reinsurance ratio	2,56%	6,35%	8,99%	10,43%	1,96%
Combined ratio	91,05%	92,08%	86,45%	93,32%	97,35%
Operating ratio	90,89%	91,70%	85,68%	92,67%	96,65%
Relative run-off result	8,71%	8,05%	18,04%	18,63%	1,19%
Return on capital and reserves	16,00%	12,36%	18,79%	10,13%	10,24%
Solvency cover (not audited) *	251%	306%	455%	387%	268%

(*) Solvency cover for 2016 and 2015 is based on Solvency II calculation method (standard formula) and a ratio of eligible own funds to SCR. Solvency cover for 2012 to 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.

in DKK'000

Note		2016	2015
3	**Gross earned premiums**		
	Gross premiums	245.162	280.550
	Change in the gross provision for unearned premiums	11.144	12.026
	Gross earned premiums for the year	256.306	292.576
	Distribution:		
	Direct business	256.269	292.434
	Indirect business	37	142
		256.306	292.576
	Geographic distribution of direct business:		
	Denmark	222.153	251.750
	EU countries	6.218	6.777
	Non-EU countries	27.898	33.907
		256.269	292.434
4	**Technical interest, net of reinsurance**		
	Interest yield from the year's average technical provisions, net of reinsurance, transferred from investment business		
	Provision for insurance contracts, year start	162.368	166.963
	Reinsurers share of technical provisions, year start	-14.828	-20.219
	Provisions for insurance contracts, year end	143.924	157.267
	Reinsurers share of techical provisions, year end	-11.637	-14.828
	Total	279.827	289.183
	Average	139.914	144.592
	Interest rate in accordance with the Danish FSA	-0,17%	-0,18%
	Interest on technical provisions	-226	-260
	Technical interest, net of reinsurance	-226	-260
5	**Acquisition costs**		
	Total acquisition costs	55.805	52.836
	of which:		
	Commission for direct business	18.153	20.042
	Commission for indirect business	3	-1
		18.156	20.042
6	**Administrative expenses**		
	Administrative expenses	22.658	30.628
	Duties and contributions etc	7.853	8.126
	Depreciation	6.693	5.725
	Reimbursements from affiliated and associated companies	-856	-916
		36.348	43.563
	Total fees paid to auditors appointed by the company at the general meeting:		
	Statutory audit services	942	978
	Fee for other assurance engagements	20	19
	Fee for other services	0	0
	Total	962	997

Note

in DKK'000

		2016	2015
7	**Staff costs**		
	Net operating expenses include the following staff costs:		
	Wages and salaries	42.879	56.871
	Other expenses for social security	434	372
	Pension scheme contributions	5.613	6.260
	Payroll tax	7.853	8.126
		56.779	71.629
	Total remuneration paid to:		
	Board of Directors		
	Number	6	6
	Fixed salary	2.759	2.636
	Variable salary	1.453	2.149
		4.212	4.785
	Remuneration of the Board of directors:		
	Richard Bader (entered 20.12.2011)*	4.092	4.665
	Oliver Wild (entered 23.11.2015)	0	0
	Gabrielle Bayer (entered 10.04.2013)	0	0
	Ulrike Timmer (left 23.11.2015)	0	0
	Jørn Sønderup (entered 17.08.2011)	40	40
	Peter Fobian (entered 13.03.2012)	40	40
	Christoffer Nylandsted (Left 20.04.2016)	10	40
	Christian Søndergaard (entered 20.04.2016)	30	0
		4.212	4.785
	Audit Comittee:		
	Jørn Sønderup	30	30
		30	30
	Board of Management *		
	Number	1	1
	Fixed salary	3.287	3.296
	Variable salary	892	932
		4.179	4.228
	Employees with activities of considerable influence on the company's risk profile		
	Number	7	7
	Fixed salary	9.153	7.451
	Variable salary	696	509
		9.849	7.960

The entry fixed salary includes fixed salary, pension and tax value of company car, telephone etc.
* Remuneration is the total remuneration for CEO or board positions within the Munich Re Group.

Incentive Schemes

Members of the management board have the possibility to receive a bonus of maximum TDKK 1.604 if specific targets are reached in accordance with the contract however meeting local legislation.

	2016	2015
The average of full-time staff	95	112

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		
		2016	2015
8	**Breakdown of underwriting result**		
	Earned premiums	254.218	291.105
	Underwriting interest, net of reinsurance	-226	-260
	Claims incurred incl change in Risk Margin	-131.388	-151.508
	Administrative expenses	-36.348	-43.563
	Acquisition costs	-55.805	-52.836
	Profit from gross operations	30.451	42.938
	Ceded insurance premiums	-30.867	-46.955
	Reinsurance recoveries	20.505	22.066
	Reinsurance commissions and profit participation	3.850	6.395
	Result of ceded business	-6.512	-18.494
	Underwriting result	23.939	24.444
	Total claims incurred, net of reinsurance, run-off		
	Gross run-off profit/loss	5.109	4.536
	Run-off profit/loss, ceded	2.961	-186
	Total claims incurred, net of reinsurance, run-off, total	8.069	4.350

		2016	2015
9	**Income from affiliated companies**		
	The year's net result in Evropská Cestovni Pojistovna a.s. Czechia	18.249	9.606
		18.249	9.606
10	**Interest income and dividends etc**		
	Interest income	7.573	8.737
	Dividend from participating interests	98	267
		7.671	9.004
11	**Realised and unrealised gains and losses, net**		
	Participating in unit trusts, bond based	28	-40
	Participating in unit trusts, share based	1.327	0
	Bonds	-3.672	-4.922
	Investment properties	0	0
	Capital loss on instalments and redemptions	-61	-1.037
	Exchange rate adjustments	-94	1.391
		-2.472	-4.608
12	**Other income and expenses**		
	Income from administration arrangements	3.204	3.319
	Expenses from administration arrangements	2.092	2.042
		1.112	1.277
13	**Tax of the profit for the year**		
	Current tax	4.406	8.157
	Change in deferred tax	2.916	-608
	Adjustment regarding prior years	221	-11
		7.543	7.538
	Taxes paid on account for the current year	5.435	3.418
	Effective tax rate	%	%
	Tax rate	22,0	23,5
	Adjustment of tax from previous years	-1,9	0,1
	Tax of non-taxable income and expenses	-5,1	-5,6
		15,0	18,0

Note			
	in DKK'000		
		2016	2015
14	**Software**		
	Cost at the beginning of the year	42.680	42.680
	Additions and improvements of the year	12.127	0
	Cost at the end of the year	54.807	42.680
	Depreciation and write-downs at beginning of year	31.409	27.634
	Depreciation and write-downs of the year	4.590	3.775
	Total depreciation and write-downs at year-end	35.999	31.409
	Net book value	18.808	11.271
15	**Operating Equipment**		
	Cost at the beginning of the year	50.393	49.732
	Disposals during the year	-663	-440
	Additions and improvements of the year	376	1.101
	Cost at the end of the year	50.106	50.393
	Depreciation and write-downs at beginning of the year	48.601	48.038
	Depreciation and write-downs of the year	731	843
	Disposals during the year	-530	-280
	Total depreciation and write-downs at year-end	48.802	48.601
	Net book value	1.304	1.792
16	**Land and buildings**		
	Cost at the beginning of the year	113.451	113.451
	Additions and improvements of the year	3.975	0
	Cost at the end of the year	117.426	113.451
	Depreciation and write-downs begining of the year	29.898	28.831
	Depreciation and write-downs of the year	1.090	1.067
	Total depreciation and write-downs at year-end	30.988	29.898
	Revaluations beginning the year	3.044	3.044
	Total revaluations at year-end	3.044	3.044
	Net book value	89.482	86.597
	Net book value of land and buildings used for company operations	39.945	38.657
	Real property value according to the last public assessment	82.000	82.000
	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

	Affilliated company	Associated company
Acquisition cost, balance, beginning of the year	12.020	1.507
Acquisition cost, balance, year-end	12.020	1.507
Revaluations, balance, beginning of the year	43.762	5.567
Price adjustment of opening balance of capital and reserves	-374	-279
Share of profit for the year	18.249	122
Dividends paid	-8.496	0
Revaluations, balance, year-end	53.141	5.410
Net book value, year-end 2016	65.161	6.917
Net book value, year-end 2015	55.782	7.074

Group Ownership

Europæiske ERV is associated with the following companies :

Subsidiary:	Registered office	Activity	Share-holding	Capital & Reserves	Result
ERV Pojistovna a.s.	Czech Republic	Insurance	75.00%	86.882	24.332
Associated company:					
Euro-Center Holding SE	Czech Republic	Assistance	16.67%	41.423	736
European Assistance Holding	Germany	Assistance	10.00%	131	5

Note	

in DKK'000

Note		2016	2015
18	**Other prepayments and accrued income**		
	Prepaid wages and salaries	920	561
		920	560

19 Total capital and reserves

The company's share capital consists of:
800 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.

The contingency reserve may only be used to strengthen the technical provisions or otherwise in favour of the insured and only with the consent of the Supervisory Authority.
The funds allocated to the contingency fund are not taxed.

Base capital and solvency margin:

	2016	2015
Total capital and reserves, according to annual report	272.011	267.321
Intangible assets	-21.834	-14.466
Deferred tax liability at Contigency reserve	-25.300	-25.300
Lower technical provision in SII	22.903	16.093
Different valuation of subsidary in SII	-2.336	-2.276
Other minor valuation differences not specified	415	-232
Eligible own funds (Solvency II)	245.029	241.604

20 Provisions for taxation

Deferred tax is incumbent on the following items:

	2016	2015
Owner-occupied property	6.175	5.217
Intangible fixed assets	4.137	2.479
Operating equipment	-540	-666
Risk margin	-948	-1.122
Total provisions for deferred taxation	8.824	5.908

Is presented in the balance sheet as:

	2016	2015
Deferred tax assets	-1.488	-1.788
Reserves for deferred tax	10.312	7.696
	8.824	5.908

Contingency tax

	2016	2015
A release of the contingency reserve will trigger a tax of	25.300	25.300
	25.300	25.300

The technical provision is not expected to fall below the level of 90% of 31 December 1994. No provision for deferred tax on the contingency reserve has therefore been made.

in DKK'000

Note		2016	2015
21	**Other creditors**		
	PAYE taxes and labour market contribution	86	34
	Holiday pay obligations, salaried staff	8.970	9.551
	Social security benefit and other duties	887	1.556
	Other accrued costs	24.556	19.286
		34.499	30.427
22	**Contingency liabilities**		
	The company has leased EDB hardware and one car. The payments in the leasing period amount to:	509	1.027

23 Group ownership

Europæiske Rejseforsikring A/S is a 100% owned subsidiary of
ERV AG (former Europäische Reiseversicherungs AG), Munich, Germany

ERV AG (former Europäische Reiseversicherungs AG), Munich, is a 100% owned subsidiary of ERGO Group AG, Düsseldorf, Germany.

ERGO Group AG, Düsseldorf,Germany, Reg. nr. DE 120060, is a 100% owned subsidiary of Münchener Rückversicherungs-Gesellschaft, Munich, Germany.
Reg. nr. DE 220001

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 services, 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.

in DKK'000

24 Risk Sensitivity

Underwriting risks

Europæiske ERV has with regard to the insurance part various forms of risks. There are risks in provisions, premium and pricing. It is important to have an overview of the individual risks but it is also an important factor that the identification and monitoring of risks can be used in connection with strategic decisions.

It is Europæiske ERV's policy that the risks originating from the company's activities 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 Europæiske ERV's risks to about DKK 5.2m per claim event. The company has estimated the effect of a widespread pandemic at DKK 16.3m at own account. The size of this risk is due to the fact that a pandemic is not seen as one claim. In the Standard model this risk is estimated to present an exposure of DKK 65.5m.

Market risks

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 52.5m in order to be able to cover the risk sufficient with a confidence level at 99.5%, which means that Europæiske can meet the policyholders' claims for 199 years out of 200 years.

	Impact on equity	
Incident	2016	2015
Increase in interest rate of 0.7- 1.0% point	-3.889	-4.540
Decrease in interest rate of 0.7- 1.0% point	3.889	4.540
Price decrease of 12% on shares	-874	-911
Decrease in real estate of 8%	-5.584	-5.300
Exchange rate risk (VaR 99,5 pct.)	-4.369	-3.443
Loss of contracting parties of 8%	-708	-1.063
Total risk ex decrease in interests of 0.7 percentage points	-15.424	-15.256

Operational risks

Operational risks are the risks of losses stemming from inadequate or failed internal processes, people and systems or from external events. They are addressed in a comprehensive internal control system (ICS) which is performed on an annual basis. Each risk has been discussed and evaluated, and a responsible person has been assigned. Risk Management follows up on the status for each risk on a continuous basis. As of now, the risks are not assigned with an estimation of the economic impact, and this limits the basis for a quantitative measurement of the operational risk profile. Despite the above, the result in the Standard model is considered conservative and satisfactory.

The standard model calculation demands a capital of DKK 7.5m in order to be able to cover the Operational risk sufficient with a confidence level at 99.5%, which means that Europæiske ERV can meet the policyholders' claims for 199 years out of 200 years.

25 Registered assets

The company has registered DKK 154.9m in bonds as security for payment in full to the policyholders cf. Financial Business Act § 167

Note

in DKK'000

26 Split of classes of insurance in accordance with §113 in order on non-life insurance companies' annual reports

	Accident and health insurance	Fire and personal property (corporate)	Liability insurance	Other insurance	Total
1 Gross premiums written	180.051	2.282	7.758	55.070	245.162
2 Gross premiums earned	187.458	2.294	7.758	58.796	256.306
3 Gross claims incurred	-89.281	-526	-168	-42.207	-132.181
4 Bonus and premium discounts	-2.088	0	0	0	-2.088
5 Change in Risk Margin	421			372	793
Administration costs	*-26.584*	*-325*	*-1.100*	*-8.338*	*-36.348*
Acquisition costs	*-35.821*	*-365*	*-1.527*	*-18.092*	*-55.804*
6 Gross operating expenses	-62.405	-691	-2.627	-26.430	-92.152
Profit from gross operations	34.104	1.077	4.963	-9.468	30.678
7 Result of business ceded	-618	-12	-1.465	-4.417	-6.512
9 Technical interest o.o.a.	-87	-1	-4	-134	-226
10 Underwriting result	33.400	1.064	3.493	-14.019	23.939
Number of compensations paid	10.187	145	54	5.785	16.171
Average compensation for claims incurred	8,8	3,6	3,1	7,3	8,2
Compensation ratio	7,0%	15,9%	27,4%	2,7%	4,5%