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# Topdanmark Forsikring A/S

## Annual Report 2022

CVR-nr. 78416114  
Borupvang 4  
2750 Ballerup

Godkendt på selskabets ordinære  
generalforsamling, den 26. april  
2023.

Dirigent:   
Pernille Lundin Larsen

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## Results for 2022

Topdanmark Forsikring's post-tax profit for 2022 was DKK 2,098m (2021: DKK 2,170m).

The result is better than expected in the Annual Report 2021 due to a better-than-expected technical result, as well as a better-than-expected investment result.

The investment result was affected by on the one hand a negative development in the financial markets during 2022 and on the other hand positively affected by a gain of DKK 957m from the sale of the life insurance activities in Topdanmark Liv Holding A/S.

Net after tax, the result was DKK 726m better than expected in the Annual report 2021.

The Board of Directors proposes a dividend of DKK 3,000m will be distributed for 2022.

Pre-tax profit was DKK 2,363m (2021: DKK 2,691m).

The technical result decreased by DKK 95m to DKK 1,799m. The decrease was driven by lower run off and higher weather-related claims in Q1 2022, mainly caused by the storms Malik and Nora. In addition, 2021 was positively impacted by COVID-19. The technical result benefitted from growth and rising interest rates as well as continued progress on our efficiency programme.

In Q1 2022, other items included a DKK 25m provision for a potential extraordinary contribution to the Danish Guarantee Fund for Non-life Insurers related to the bankruptcy of Gefion Insurance A/S.

The investment return adjusted for return and value adjustments on non-life insurance provisions decreased by DKK 199m to DKK 596m which includes the gain from divestment of Topdanmark Liv Holding (DKK 957m). This development should be seen in the light of the volatility in the financial markets during 2022 caused in part by the war in Ukraine and rising inflation, whereas the investment return in 2021 was impacted by favourable market conditions, especially for equity investments and CLOs.

Financial highlights (DKKm)	2021	2022
Gross premiums earned	9,541	9,903
Claims incurred	-6,001	-6,198
Expenses	-1,547	-1,630
Net reinsurance	-99	-276
Technical result	1,894	1,799
Investment return after return and value adjustments of non-life provisions	795	596
Other items	2	-33
Profit before tax	2,691	2,363
Taxation	-521	-265
<b>Profit for the year</b>	<b>2,170</b>	<b>2,098</b>
Run-off profits, net of reinsurance	255	152
Gross claims ratio	62.9	62.6
Net reinsurance ratio	1.0	2.8
Claims ratio, net of reinsurance	63.9	65.4
Gross expense ratio	16.2	16.5
Combined ratio	80.1	81.8

## Premiums earned

Premiums earned increased by 3.8% to DKK 9,903m.

The distribution agreement with Nordea continues to have good traction and more than compensated for the outflow from the old agreement with Danske Bank in 2022. We expect the trend to continue in 2023.

## Claims ratio

The claims ratio, net of reinsurance, was 65.4 in 2022, up from 63.9 in 2021. However, gross of reinsurance, the claims ratio improved year-on-year from 62.9 to 62.6.

The run-off profit, net of reinsurance, was DKK 152m (2021: DKK 255m), representing a 1.2pp negative effect on the claims ratio. Specifically, run-off profits in house and property insurance were lower than in 2021.

Weather-related claims amounted to DKK 276m in 2022 (2021: DKK 182m), representing a 0.9pp deterioration of the claims ratio. The level of weather-related claims was thus DKK 9m below the normalised modelled level of DKK 285m. Weather-related claims were high in Q1 2022 due to the storms Malik and Nora, while weather conditions in Q2-Q4 2022 were more benign. In comparison, weather conditions in 2021 were very benign apart from Q3 2021 which saw several cloudbursts.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 24m to DKK 96m in 2022 (2021: DKK 120m), representing a 0.3pp improvement of the claims ratio. The level of large-scale claims was thus almost in line with the normalised modelled level of DKK 100m.

The claims ratio was positively impacted by the higher interest rates. The discounting effect was 1.7pp higher compared with 2021.

Inflation within construction materials rose significantly in 2022, most notably within energy-consuming materials such as tiles, cement and insulation. However, we see signs that inflation peaked during Q4. In the short term, we are in a good position to handle rising cost inflation through procurement, and our efforts within this area continue as part of the efficiency programme.

We take note of the current inflation, and we continue to closely monitor the market situation. To that end, we have continued our pricing initiatives and started to implement inflation-related pricing initiatives across different product lines and customer segments with effect from 2023. Over time, it is our target to maintain our profitability by pricing at least in line with inflation.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved slightly to 63.4 in 2022.

The underlying claims ratio, which is adjusted further for discounting and COVID-19 impact, increased by 0.7pp to 65.4. This was due to a meaningful headwind from normalised claims frequencies after COVID-19, partly offset by improved underlying trends within e.g. house and property insurance. Please note that although we stopped reporting on the estimated COVID-19 impact in Q3 2021, the last quarter of 2021 was also clearly positively impacted by COVID-19.

### Expense ratio

The expense ratio was 16.5, almost in line with the level last year of 16.2. General cost inflation was mitigated by our continued efforts to realise our efficiency programme targets.

### Combined ratio

The combined ratio was 81.8 (2021: 80.1). Excluding run-off, the combined ratio was 83.4 (2021: 82.8).

## Investment activities

The investment return of Topdanmark Forsikring was DKK -320m in 2022 (2021: DKK 449m).

The investment return was positively affected by a net gain on the sale of Topdanmark Liv Holding A/S of DKK 957m.

Return and revaluation of non-life insurance provisions were DKK 916m in 2022 (2021: DKK 346m).

The investment return after return and revaluation of non-life insurance provisions was DKK 596m (2021: DKK 795m).

The negative return in 2022 was primarily driven by falling equity markets, spread widening on CLOs, and a net loss from hedging the regulatory part of the Solvency II curve, i.e. the volatility adjustment.

During 2022, the financial markets were severely affected by increased macroeconomic volatility which can mainly be attributed to increasing inflation, downward pressure on economic growth, and geopolitical tensions. The ongoing battle between inflation and growth continued as central banks kept trying to mitigate inflation dynamics by tightening monetary policies.

After the sale of Topdanmark Liv Holding A/S, the equity exposure and strategy are shifted from single-stock picking towards ETFs. Furthermore, an exposure to high yield credit is added to the "free" portfolio. Due to market conditions in Q4 2022, Topdanmark Forsikring A/S retains some exposure to CLOs over the year-end. We aim to reduce the CLO exposure further over the coming quarters.

As regards the liability matching part of the investment portfolio, the duration risk between provisions and the fixed income assets has throughout the year been fully hedged by fixed income assets, primarily Danish mortgage bonds, and interest rate swaps. The fixed income part of the portfolio is dominated by AAA-rated Danish mortgage bonds. Besides hedging duration risk, Danish mortgage bonds are also hedging the volatility component of the Solvency II curve. The fluctuations in the hedging throughout the year can primarily be attributed to the volatility adjustment (VA) on the Solvency II curve which periodically has moved asynchronously with i.a. the spread on Danish mortgage bonds.

The investment return in 2022 on the most significant asset classes is shown in the table below:

Investment return	Portfolio 31 Dec		Return 2021		Return 2022	
	2021	2022	(DKKm)	%	(DKKm)	%
	(DKKbn)					
Danish equities	0.2	0.2	42	22.7	-25	-12.2
Foreign equities	0.8	0.6	180	24.0	-168	-19.9
Unlisted equities and hedge funds	0.4	0.3	44	12.9	14	3.9
Government and mortgage bonds	11.5	12.8	-262	-2.0	-1,069	-8.9
Credit bonds	0.0	0.2	0	0.0	-1	0.0
Index linked bonds	0.6	0.7	-9	-2.0	14	2.6
CLOs	0.7	0.2	163	28.7	-115	-14.1
Affiliates	2.7	1.1	336	10.3	1,043	40.6
Expenses, money markets etc.	4.6	3.5	-23	-1.2	11	0.3
Subordinated loan capital	-1.5	-1.1	-23	-1.9	-25	-1.7
Investment return	20.1	18.5	449	2.3	-320	-1.7
Return and value adjustments of non-life insurance provisions			346		916	
<b>Investment return after return on non-life insurance provisions</b>			<b>795</b>		<b>596</b>	

We use the Solvency II discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 47bp at the beginning of the year and 16bp at the end of 2022. Note that we will stop using the VA component to the solvency II curve as of 1 January 2023.

## Profit forecast model

Traditionally, Topdanmark Forsikring does not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently Topdanmark Forsikring's profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at [www.Topdanmark.com](http://www.Topdanmark.com) → Investors → [Risk management](#), we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

As can be seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the rest of the year, but solely on a long-term standard assumption regarding the return.

Topdanmark Forsikring's overall post-tax profit according to the profit forecast model for 2023 is DKK 1,100-1,350m. The assumed profit is exclusive of run-off.

## Risk management

Topdanmark Forsikring's risks follow from the decided business model and the selected products. Topdanmark Forsikring's risks and risk profile are clarified and managed through the established strategies, policies, etc., including risk tolerance limits. The Board of Directors determines the overall risk policies and limits.

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

As a consequence of this policy, for a number of years Topdanmark Forsikring has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark Forsikring considers to be acceptable. For example, major strategic shareholdings have been sold, the catastrophe cover for weather-related events or terror has been increased significantly, and the financial risk has been reduced.

As part of the overall and strategic management, the Board of Directors must conduct an ORSA (Own Risk and Solvency Assessment) at least once a year. The Board of Directors is responsible for ORSA and sets the overall framework for this. This is done, among other things, through the Policy and Guidelines for ORSA. The starting point for ORSA is Topdanmark's business model, business strategy, risk profile and risk tolerance limits. The purpose of ORSA is, among other things, that Topdanmark has a sufficient overview and insight into its risks.

In connection with ORSA, an ORSA report is prepared, which serves as the board's basis for decision-making for ORSA. The ORSA report includes information from general operations, such as solvency statements, and further analyses are also carried out.

The ORSA process is continuous and does not only occur in connection with the Board of Directors' annual assessment. ORSA is integrated into Topdanmark Forsikring's risk management system, which supports Topdanmark Forsikring identifying, measuring, managing, monitoring and reporting risks that Topdanmark Forsikring is or may be exposed to. Significant changes to risk, the risk profile or the development of new risks shall be escalated to appropriate levels. ORSA is also supported by the control system and key functions. ORSA is also an integral part of the business strategy, and results and knowledge from the ORSA process are considered at relevant points in the business.

An ORSA report has been prepared, which, together with the risk register and risk management process, were processed and approved at a board meeting in the autumn of 2022. After the authorities' approval of the sale of Topdanmark Liv Holding A/S, the risk management function has performed an extraordinary ORSA process. At the same time, the risk management function has developed a new ORSA report to strengthen the basis for the board to conduct ORSA. The board has processed and approved the extraordinary ORSA at the board meeting in January 2023.

Topdanmark Forsikring's risk management function identifies, measures, manages, monitors and reports risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark Forsikring's ORSA, and Topdanmark Forsikring's partial, internal model for non-life insurance risks. The members of the Risk Committee are the Group CFO, the head of the compliance function, the head of investment, the head of the risk management function, the DPO, the head of group security, and the head of statistical services.

The Risk Committee reports and recommends to the Board of Directors via the Executive Board. The Risk Committee has set up the Model Committee, which is responsible for developing and operating Topdanmark Forsikring's internal model for calculation of results, probabilities and risks of the non-life insurance portfolio based on random simulation. The model is used for, among other things, optimising the reinsurance programme, calculation of cost of capital, forecast balancing and calculating capital requirements.

The internal model has been used in solvency calculations since 2014 in accordance with the Danish Solvency rules, and from 2016 it has been amended to meet the EU Solvency II rules in force. The Danish FSA has approved the use of Topdanmark Forsikring's internal model when calculating solvency capital requirements.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting etc. of the Solvency II Directive to ensure that Topdanmark meets this set of rules.

#### Overview

Topdanmark Forsikring believes that the most important risks relate to the following main areas:

- Non-life insurance
- Market
- Counterparty
- Operational
- Compliance
- Climate
- Strategy.

Please refer to the notes for a more detailed description of the above-mentioned risks.

### Risk scenarios

The risk factors are illustrated in the following table of the most significant risk factors calculated as the post-tax impact on profit and shareholders' equity. The given assumptions do not reflect Topdanmark Forsikring's expected risks but are shown only as examples which could be used as a basis for assessing the company's exposure to the risks mentioned.

Risk scenarios (DKKm) after corporate tax and pension return tax		2021	2021	2022
		Discon-	Conti-	
		tinued	nuing	
<b>Non-life insurance</b>				
Underwriting risk				
Combined ratio – 1pp increase		-5	-74	-74
Provisioning risk				
Provisions net – 1% increase		-22	-82	-76
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		-	-78	-75
<b>Life insurance</b>				
Disability intensity - 35% increase*		-11	-	0
Mortality intensity - 20% decline		-16	-	0
<b>Market risk</b>				
Interest-bearing assets	1pp increase	-189	-315	-254
Provisions for claims and benefits etc.	in effective interest rate	180	342	247
Index-linked bonds	5% loss	0	-19	-25
Equities	10% loss	21	-86	-69
High yield bonds / CLOs < AA	10% loss	0	-56	-33
Properties	10% loss	-19	-97	-57
Annual currency loss with an up to 2.5% probability (VaR)		-14	13	-2

\*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.

## Solvency calculation and capital requirements

Solvency II provides insurance companies with the opportunity to develop their own full or partial internal risk model for solvency calculation. We use such a partial internal model developed in-house to calculate the non-life risk.

This model, approved by the Danish FSA, provides the basis for including non-life risks in our solvency calculations.

### Own funds

After the divestment of Topdanmark Liv Holding A/S, we have optimised the capital structure of the Group. On 22 December 2022, Topdanmark Forsikring A/S issued a subordinated tier 1 bond (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual but includes an option allowing us to redeem the loan as at 22 December 2027.

Further, on 19 December 2022, Topdanmark Forsikring A/S redeemed DKK 800m of subordinated tier 2 capital. After this redemption, Topdanmark Forsikring A/S has DKK 700m of outstanding subordinated tier 2 notes in a single tranche with maturity in 2031 and first call date in 2026.

The solvency cover increased to 270% from 236% end 2021 due to the above as well as the deduction of the proposed dividend payment for 2022.

Solvency cover (DKKm)	2018	2019	2020	2021	2022
Own funds*	5,665	5,707	5,694	5,892	4,153
Solvency requirement	2,296	2,408	2,235	2,497	1,541
<b>Solvency cover (%)</b>	<b>247</b>	<b>237</b>	<b>255</b>	<b>236</b>	<b>270</b>

\*) Proposed dividend has been deducted.

### Audit Committee

According to Section 31 of the Danish Audit Act, the Board of Directors of Topdanmark has set up a joint audit committee for the companies of the Topdanmark Group obligated to set up audit committee.

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, and the Board members Maria Hjorth and Cristina Lage to be members of the Audit Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Audit Committee.

The Audit Committee is solely composed of members of Topdanmark's Board of Directors.

The details of the background, qualifications and occupation of the members of the Audit Committee are available under "Board of Directors and Executive Board" in the Annual Report. The Board of Directors believes that due to their many years' managerial positions in listed and financial services companies, including experience from Audit Committees in other Board of Directors, and also their educational qualifications, all three members possess the necessary accounting qualifications to perform the tasks required of the Audit Committee.

Therefore, the Board of Directors firmly believes that all three members of the Audit Committee possess the qualifications and experience which enable them to make an independent assessment of whether the Topdanmark Group's financial statements, internal control, risk management and statutory audit have been prepared and performed in an appropriate way considering the size and complexity of the Group.

The Audit Committee holds at least five meetings a year. On [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Corporate Governance → Board of Directors → Audit Committee → The rules of procedure for the joint Audit Committee of Topdanmark are available.

### Remuneration Committee

Pursuant to Section 25 of the Danish Executive Order on wage policy for insurance companies and insurance holding companies ("Executive Order on Remuneration Policy and Remuneration"), the Board of Directors of Topdanmark has set up a joint Remuneration Committee for the Topdanmark Group.

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, Jens Aaløse, Deputy Chairman of the Board, and Mette Jensen, employee-elected Board member, as members of the Remuneration Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Remuneration Committee.

The Board of Directors believes that, due to their many years in managerial positions in listed and financial services companies, the two members elected at the AGM possess the necessary qualifications to make a qualified and independent assessment of whether remuneration in Topdanmark is in accordance with the remuneration policy adopted by the AGM and relevant legislation. The member elected by employees has been elected in accordance with Section 25 (6) of the Executive Order on Remuneration Policy and Remuneration. The details of the background, qualifications and occupation of the members of the Remuneration Committee are available under "Board of Directors and Executive Board" in the Annual Report.

The Remuneration Committee holds three ordinary meetings a year. The principal tasks of the Remuneration Committee are, among other things, to:

- advise the Board of Directors on the framework of the remuneration policy, assist the Board of Directors in ensuring compliance with Topdanmark's remuneration policy in practice and assess whether Topdanmark's remuneration policy is updated and if necessary, submit proposals for updates of the remuneration policy
- to ensure that information submitted to the Board of Directors concerning Topdanmark's remuneration policy and practice is adequate
- to assess whether Topdanmark's processes and systems are in line with and allow for the risks of Topdanmark, as well as ensure that Topdanmark's remuneration policy and practice are in accordance with and encourage a fair and efficient risk management, and are in accordance with Topdanmark's business strategy, goals, values and long-term interests
- to monitor that the information disclosed in the Annual Report on the remuneration is correct, true and sufficient and in accordance with the legislation in force at any time.

The rules of procedure for the joint Remuneration Committee of Topdanmark are available on [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Corporate Governance → Board of Directors - Remuneration Committee.

### Nomination Committee

The Board of Directors of Topdanmark has set up a Nomination Committee. The Nomination Committee is in charge of the preparatory work for the decisions to be made by the Board of Directors on the structure and composition of the Board of Directors and the Executive Board.



The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, and Jens Aaløse, Deputy Chairman of the Board, as members of the Nomination Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Nomination Committee.

The Board of Directors believes that, due to their many years in managerial positions in listed and financial services companies, both members possess the necessary qualifications to make a qualified and independent assessment of the qualifications needed for the Board of Directors and the Executive Board, the structure, size and composition of the Board of Directors and the Executive Board, the current qualifications of the Board of Directors and the Executive Board etc. as well as be in charge of and facilitate the annual evaluation of the Board of Directors and prospective recruitment of new members of the Board of Directors and the Executive Board.

The Nomination Committee holds meetings as needed.

#### **Remuneration structure**

Topdanmark's remuneration policy must contribute to optimising the long-term value creation at group level and support Topdanmark business strategy. At the same time, Topdanmark's remuneration policy must strengthen the attraction, retention and motivation of qualified members of Topdanmark's management, as well as ensure consistency between the interests of management, the company and the shareholders. The annual general meeting has adopted the "Remuneration policy of the Topdanmark Group."

The remuneration policy covers the Board of Directors, the Executive Board and other material risk takers and, as provided by legislation, employees involved in control functions and audit. The remuneration policy, as adopted by the annual general meeting, is available on [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Corporate governance → [Remuneration structure](#).

The overall objective of Topdanmark's remuneration policy is to ensure transparency and shareholder influence on Topdanmark's remuneration. The share price reflects the anticipated value creation at group level. This is one of the reasons why Topdanmark believes that share-based incentive pay, including revolving share options, ensures that management is exposed to the development in share prices and thus encourages individual managers to make decisions which support value creation as much as possible from a holistic perspective.

The decision of the application of short-term and long-term incentive remuneration has been made for the

purpose of ensuring a balance between short-term and long-term results. In addition to a policy on salaries, the remuneration policy also includes the pension policy and the guidelines for granting variable salary components, severance pay and identification of other employees whose activities have material impact on Topdanmark's risk profile.

The remuneration paid to the Executive Board, Grade A and Grade B+ managers, and other material risk takers should be competitive with remuneration at comparable companies and can be made up of the following remuneration components: fixed basic remuneration, additional remuneration, pension, other benefits, employee shares, option-based long-term incentive programme (LTI programme), cash-based and share-based short-term incentive programme (STI programme) and extraordinary variable remuneration.

The fixed basic remuneration paid to the Executive Board, Grade A and Grade B+ managers as well as other material risk takers is, as a rule, fixed as a gross salary of which the employee defrays expenses for pension and company car, and it is based on a specific assessment of each employee. i.a. based on the position, individual characteristics, and performance of the individual. The fixed basic remuneration for the Executive Board and Grade A and Grade B+ managers is reassessed annually and is determined by individual negotiations with each member of the Executive Board and Grade A and Grade B+ managers based on a framework set by the Board of Directors.

Topdanmark's LTI programme for the Executive Board and Grade A and Grade B+ managers is a revolving share option scheme which entails that a fixed proportion equivalent to 10% of (the cash salary + pension + company car value) is paid in the form of share options according to a revolving option programme.

Furthermore, the Board of Directors can decide to include managers who are not Grade A and Grade B+ managers in the revolving part of the LTI programme.

In addition to options paid to the Executive Board, Grade A and B+ managers, and certain other managers in accordance with the revolving share option scheme, the Executive Board can grant up to a total of 200,000 options to employees, including other material risk takers, who have made special efforts or in other ways contributed extraordinarily to the value creation.

Topdanmark's STI programme is a cash- and share-based incentive programme tied up with the completion of a number of predefined goals for each member of the

programme. STI bonus cannot exceed 40% of the employee's fixed basic salary including pension.

The variable remuneration for a director cannot exceed 50% of the director's fixed basic remuneration including pension. The variable remuneration for other material risk takers, including Grade A and Grade B+ managers, cannot exceed 100% of the employee's fixed basic remuneration including pension. For directors, the share options and other derivatives cannot exceed 12.5% of the fixed basic remuneration including pension at the time of calculation.

The Executive Board is not paid a special pension contribution. The gross salary takes this into account. Consequently, Topdanmark does not have any pension-related obligations to the Executive Board, and there will be no payment of pension on retirement.

Grade A and Grade B+ managers, and other material risk takers receive, within their fixed gross salary, a pension contribution of up to 25% of their cash remuneration. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier. Reference is also made to the Topdanmark Group's [Remuneration Report 2022](#).

#### Severance pay

In order to ensure full loyalty, focus and performance for the Topdanmark Group during the period until a potential take-over is finalised, Topdanmark has an agreement with one Grade B+ manager that under certain circumstances, he/she will receive compensation in the form of an extended period of notice and increased severance pay, if he/she resigns or is dismissed, or if his/her position is made redundant because Topdanmark and/or the company of the Topdanmark Group in which he/she is employed is taken over by or merges with a company outside the Group, or if one or more owners take control of Topdanmark and/or the company of the Topdanmark Group in which he/she is employed. The maximum amount of compensation will represent two years' remuneration.

In accordance with the rules in force, Topdanmark Group can sign agreements on severance pay with directors, Grade A and Grade B+ managers, and other material risk takers. For agreements signed after November 2017, the total value of remuneration for the period of termination, including severance pay, cannot exceed two years' salary including all remuneration elements. For agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years. For a former member of the Executive Board and a Grade B+ manager, it was agreed that, in continuation of Sampo Group's take-over of de facto control of Topdanmark in 2013, that they would earn remuneration

equivalent to six months' salary per vesting year over a period of three years. The vesting period is over, and the remuneration is allocated as a provision in the accounts. The remuneration, which is regulated annually in relation to the current salary level, will be paid when employment ends.

## Sustainability

Environmental, social and governance sustainability (ESG) is part of our core business. Every day, we work to create financial and social security for all our customers, for our employees and for society in general – and we contribute with solutions to climate and environmental challenges through products, advice, in our supply chain, in our investments and through our partnerships.

In 2022, we started a new programme towards a more sustainable Topdanmark. The programme consists of three themes: Green Transformation (E), Everyday well-being (S) and Responsible Foundation (G) and six strategic targets which have been identified based on a materiality assessment (see the [Sustainability Report 2022](#) for further information on the materiality assessment).

It has been approved by the Board of Directors, and it drives our work and activities throughout the entire organisation.

#### Policies and governance

Topdanmark has signed the UN Global Compact and its 10 principles for labour and human rights, environment, and anti-corruption.

To drive and ensure progress in our sustainability programme and related targets, we have structured governance with a clear distribution of roles and responsibilities to support alignment across the business.

#### Examples of results and initiatives in 2022:

##### Green transformation (E)

In 2022, we decided to further raise the level of ambition regarding green transformation as in June we joined SBTi and a target of net zero in 2050 on scopes 1, 2 and 3 (investments and claims handling).

We established an internal community "WorkGreener" to engage and motivate employees in our journey towards a more climate-friendly and environmentally sounder workplace.

We already have one product classified (according to internal criteria) as a product contributing to the green transformation. The target is to have five new products

and services by 2025. In 2022, we continued the integration of the concept of circular economy and CO<sub>2</sub>-saving methods in claim handlings. We increased the percentage of repair of bumpers by 13.9% and saved 33.4 tonnes CO<sub>2</sub>-emissions by using a more efficient repair process and at a lower temperature for drying than in conventional methods.

### Everyday well-being (S)

Topdanmark focuses strongly on creating a workplace that contributes to attracting and retaining highly qualified employees. As such, well-being and health are central parts of our business strategy both for us as an employer and for our customers. Our engagement survey for 2022 shows an all-time high score of 81 points.

We want to contribute to our customers' physical and mental health, and we are constantly working to offer the best solutions. In 2022, we expanded the customers' availability to our health care app "Sundhedshjælp" which provides free access to quick and easy medical assistance for customers who have their insurance policies with us. By the end of the year, we had 95,928 registered users (2021: 46,507 users) and 13,059 consultations (2021: 4,503). All in all, Sundhedshjælp was offered to 535,649 customers. Among the users replying to a survey following a consultation, 96% were either satisfied or very satisfied.

### Responsible foundation (G)

We have a target of max. 60% of one gender at management levels 1 and 2. In 2022, the gender distribution was 31% women and 69% men, while the gender distribution was 21/79 in 2021.

In 2022, we continued the implementation of our ESG programme in our supply chain, and we have performed ESG screenings of all suppliers in the ESG focus group with whom Topdanmark has signed contracts.

ESG-screenings have been integrated into our underwriting of commercial and agricultural customers. For 2022, it is our assessment that there have been no violations of the UN Global Compact in relation to our underwriting activities as well as no underwriting activities related to the excluded industries (production of coal, tar sands, controversial weapons and tobacco).

Topdanmark's statutory report on sustainability, gender diversity and data ethics, see sections 132, 132a and 132d of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, is available at [www.topdanmark.com](http://www.topdanmark.com) → Investors → Reports and presentations → [Sustainability reports](#). Moreover, Topdanmark publishes an ESG Fact Book with all ESG performance data as well as historic data and accounting principles. The ESG Fact Book is available at [www.topdanmark.com](http://www.topdanmark.com) → Sustainability → Reports → [ESG Fact Books](#).

## The duties of the Executive Board

### **Peter Hermann**

#### **On the Executive Board for:**

Topdanmark A/S  
Topdanmark Forsikring A/S

#### **Member of the Board of Directors for:**

Topdanmark Invest A/S  
Forsikring & Pension  
KBC Insurance NV.

### **Lars Kufall Beck**

#### **On the Executive Board for:**

Topdanmark A/S  
Topdanmark Forsikring A/S

#### **Member of the Board of Directors for:**

TDP.0007 A/S  
Topdanmark EDB ApS  
Topdanmark EDB IV ApS  
E. & G. Business Holding A/S  
Topdanmark Invest A/S

In the above, the duties outside the Group, which have been authorised by management in accordance with Article 80 of the Danish Financial Business Act, are included.

## The duties of the Board of Directors

### Ricard Wennerklint

**Member of the Board of Directors of:**

If P&C Insurance Holding Ltd  
 Nordax Bank AB (publ.) (Sweden)  
 Hastings Group Holdings Ltd, UK (Chairman)  
 Mandatum Holding Ltd.

**Member of:**

The Audit Committee, Remuneration Committee and  
 Nomination Committee of Topdanmark  
 The Nomination Board of Nordea Abp (Chairman).

### Elise Bundgaard

**Member of the Board of Directors of:**

Bjatola A/S.

### Mette Jensen

**Member of:**

The Remuneration Committee of Topdanmark.

### Cristina Lage

**Member of the Board of Directors of:**

Arbejds miljørådet (Chair)  
 LEO Fondet  
 C.L. Davids Fond  
 Det Obelske Familiefond  
 OK-Fonden (Deputy Chair).

**Member of:**

The Investment Committee of LEO Fondet (Chair)  
 The Audit Committee of Topdanmark.

### Petri Niemisvirta

**Member of the Board of Directors of:**

Mandatum Asset Management Ltd (Finland)  
 Kaleva Mutual Insurance Company (Chairman) (Finland)  
 Varma Mutual Pension Insurance Company (Finland)  
 Confederation of Finnish Industries EK  
 Alma Media Corporation  
 Finance Finland (FFI)  
 Finance Finland Life Insurance  
 Midaxo Oy.

**Member of:**

The Group Executive Committee of Sampo  
 The Executive Committee of Finance Finland Life Insurance.

### Jens Aaløse

**Member of the Board of Directors of:**

Dansk Erhverv (the Danish Chamber of Commerce)  
 FDM Travel A/S  
 Sticks N Sushi (Chairman)  
 Blue Ocean Robotics (Chairman)  
 Toms Group Foundation (Gerda and Victor B Strand's  
 Foundation)  
 Good Food Group A/S.

**Member of:**

The Remuneration Committee and Nomination  
 Committee of Topdanmark.

### Maria Hjorth

**Member of the Board of Directors of:**

Adform A/S  
 Asetek A/S  
 Maj Invest Holding, Fondsmæglerselskabet Maj Invest A/S  
 and Maj Invest Equity A/S  
 Thylander Gruppen A/S (Chair)  
 Trifork Holding AG.

**Member of:**

The Audit Committee of Asetek A/S (Chair)  
 The Audit Committee of Trifork Holding AG (Chair)  
 The Audit Committee of Adform A/S (Chair)  
 The Audit Committee of Topdanmark.

### Michael Noer

### Morten Thorsrud

**Member of the Board of Directors of:**

Finans Norge  
 Euronext N.V.  
 Hastings Group Holdings Ltd.

**Member of:**

The Group Executive Committee of Sampo  
 The Audit Committee of Euronext N.V.

## Income statement

(DKK m)	Note	2021	2022
Gross premiums written	1	9,620	9,730
Ceded reinsurance premiums		-601	-657
Change in the provisions for unearned premiums	1	128	215
Change in profit margin and risk margin	1	-130	50
Change in the reinsurers' share of the provisions for unearned premiums		4	-6
<b>Premiums earned, net of reinsurance</b>		<b>9,021</b>	<b>9,332</b>
Claims paid		-5,640	-6,049
Reinsurance cover received		268	400
Change in the provisions for claims		-378	-173
Change in risk margin		17	25
Change in reinsurers' share of the provisions for claims		150	-100
<b>Claims incurred, net of reinsurance</b>	2	<b>-5,583</b>	<b>-5,898</b>
<b>Bonuses and rebates</b>		<b>-78</b>	<b>-92</b>
Acquisition costs	3	-1,041	-1,100
Administrative expenses		-745	-740
Intra-group reimbursements		239	211
Reinsurance commission and share of profits		81	86
<b>Insurance operating expenses, net of reinsurance</b>		<b>-1,466</b>	<b>-1,543</b>
<b>TECHNICAL RESULT</b>	4	<b>1,894</b>	<b>1,799</b>
Income from affiliates	5	336	1,043
Income from associates		4	-4
Interest income and dividends etc.		367	327
Value adjustments	6	-171	-1,590
Interest charges		-37	-35
Expenses on investment activities		-51	-61
<b>Total investment return</b>		<b>449</b>	<b>-320</b>
Return and value adjustments of non-life insurance provisions	7	346	916
<b>INVESTMENT RETURN AFTER RETURN AND VALUE ADJUSTMENTS OF TECHNICAL PROVISIONS</b>		<b>795</b>	<b>596</b>
Other income		4	6
Other expenses	8	-3	-39
<b>PRE-TAX PROFIT</b>		<b>2,091</b>	<b>2,363</b>
Taxation	9	-521	-265
<b>PROFIT FOR THE YEAR</b>		<b>2,170</b>	<b>2,098</b>
Proposed appropriation of profit for the year:			
Dividend		3,100	3,000
Transfer to net revaluation reserve at net asset value		340	1,040
Transfer from profit carried forward		-1,270	-1,942
		2,170	2,098

## Statement of comprehensive income

Profit for the year	2,170	2,098
Other comprehensive income from affiliates	0	0
Other comprehensive income	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,170</b>	<b>2,098</b>

**Assets**

(DKKm)	Note	2021	2022
<b>INTANGIBLE ASSETS</b>	10	587	645
Operating equipment		10	6
<b>TOTAL TANGIBLE ASSETS</b>	11	10	6
Equity investments in affiliates	12	2,704	1,057
Loans to affiliates		300	0
Equity investments in associates	13	76	53
Total investment in affiliates and associates		3,080	1,110
Equity investments	14	1,165	1,006
Bonds		13,007	13,989
Deposits with credit institutions		864	4,044
Derivatives		22	9
Total other financial investment assets	15	15,058	19,048
<b>TOTAL INVESTMENT ASSETS</b>		18,139	20,159
Reinsurers' share of the provisions for unearned premiums	16	99	99
Reinsurers' share of the provisions for claims	17	540	427
Total reinsurers' share of provisions		640	526
Receivables from policyholders		231	196
Receivables from insurance companies		102	262
Receivables from affiliates		4,712	626
Other receivables		136	156
<b>TOTAL RECEIVABLES</b>		5,821	1,766
Deferred tax assets	18	24	39
Liquid funds		147	39
Other		98	201
<b>TOTAL OTHER ASSETS</b>		268	279
Accrued interest and rent		67	99
Other prepayments and accrued income		88	99
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		155	198
<b>TOTAL ASSETS</b>		24,980	23,053

## Shareholders' equity and liabilities

(DKK m)	Note	2021	2022
Share capital	19	101	101
Revaluation reserve		1,669	814
Security fund		1,452	1,452
Total reserves		1,452	1,452
Profit carried forward		793	814
Proposed dividend		3,100	3,000
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,114</b>	<b>6,181</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	20	<b>1,500</b>	<b>1,100</b>
Provisions for unearned premiums	21	1,263	983
Profit margin, non-life insurance contracts	21	1,316	1,406
Provisions for claims	22	11,097	10,602
Risk margin, non-life insurance contracts		150	111
Provisions for bonuses and rebates		151	176
<b>TOTAL PROVISIONS FOR INSURANCE CONTRACTS</b>		<b>13,977</b>	<b>13,279</b>
Pensions and similar commitments		24	20
Other liabilities	23	0	361
<b>TOTAL PROVISIONS</b>		<b>24</b>	<b>381</b>
Debt relating to direct insurance operations		16	18
Debt relating to reinsurance operations		39	121
Amounts due to credit institutions		270	171
Amounts due to affiliates		1,062	944
Derivatives		238	236
Other debt		675	571
<b>TOTAL DEBT</b>		<b>2,301</b>	<b>2,063</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>63</b>	<b>49</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>24,980</b>	<b>23,053</b>



## Statement of changes in equity

(DKKm)

	Share capital	Revaluation reserve	Security fund	Profit carried forward	Proposed dividend	Total
<b>2021</b>						
Shareholders' equity at beginning of period	101	2,320	1,452	998	1,800	6,672
Profit for the year		340		-1,270	3,100	2,170
Other comprehensive income from affiliates		0				0
Total comprehensive income for the year		340		-1,270	3,100	2,170
Dividends received from affiliates		-1,000		1,000		0
Dividend paid					-1,800	-1,800
Capital contribution from Topdanmark A/S (employee shares)				58		58
Taxation on share-based payments				6		6
Equity movements in affiliates		8		0		8
Transactions with owners		-992		1,065	-1,800	-1,728
<b>Shareholders' equity at end of period</b>	<b>101</b>	<b>1,669</b>	<b>1,452</b>	<b>793</b>	<b>3,100</b>	<b>7,114</b>
<b>2022</b>						
Shareholders' equity at beginning of period	101	1,669	1,452	793	3,100	7,114
Profit for the year		1,040		-1,942	3,000	2,098
Other comprehensive income from affiliates						0
Total comprehensive income for the year		1,040		-1,942	3,000	2,098
Dividends received from affiliates		-1,000		1,000		0
Dividend paid					-3,100	-3,100
Capital contribution from Topdanmark A/S (employee shares etc.)				60		60
Taxation on share-based payments				2		2
Transfer		-883		883		0
Equity movements in affiliates		-11		19		8
Transactions with owners		-1,894		1,964	-3,100	-3,031
<b>Shareholders' equity at end of period</b>	<b>101</b>	<b>814</b>	<b>1,452</b>	<b>814</b>	<b>3,000</b>	<b>6,181</b>

**Notes to the financial statements**

Gross premiums earned	1
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Reinsurers' share of the provisions for unearned premiums	16
Reinsurers' share of the provisions for claims	17
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Share capital	19
Other subordinated loan capital	20
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## Notes to the financial statements

(DKKm)	2021	2022
<b>Note 1. Gross premiums earned</b>		
Gross premiums written	9,620	9,730
Change in provisions for unearned premiums	128	215
Change in profit margin and risk margin	-130	50
<b>Gross premiums earned</b>	<b>9,618</b>	<b>9,995</b>
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,614	9,992
Other EU-countries	4	2
Other countries	1	1
	<b>9,618</b>	<b>9,995</b>

**Note 2. Claims incurred, net of reinsurance**

Run-off result:		
Gross business	269	188
Reinsurance ceded	-14	-36
Run-off profit, net of reinsurance	255	152

Specification of run-off result on lines in note 4.

Claims incurred include value adjustment of derivatives hedging the inflation risk in workers' compensation	367	317
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Expenses for loss-prevention included in claims incurred amount to 0.2% (2021: 0.3%), split between Fire and property, Private, 0.0% (2021: 0.1) and Illness and accident 0.2% (2021: 0.2%).

**Note 3. Acquisition costs**

Commissions for directly written insurance policies	209	221
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**Note 4. Technical result**

	2021	2022	2021	2022
			Workers'	
	Illness and accident		compensation	
Gross premiums written	1,068	1,095	825	881
Gross premiums earned	1,058	1,121	832	909
Claims incurred	-673	-727	-559	-496
Bonuses and rebates	-4	-4	-4	-6
Gross operating expenses	-157	-201	-99	-116
Net reinsurance	-4	-4	8	-2
Technical result	221	186	177	289
Gross claims ratio	63.8	65.0	67.5	54.9
Run-off result, net of reinsurance	1	17	127	116
Claims provisions, net of reinsurance	1,168	1,253	6,135	5,623
Number of claims incurred ('000)	27	31	6	7
Average value of claim (DKK '000)	25	24	105	87
Frequency of claims (per thousand value)	26	29	113	127

## Notes to the financial statements

(DKKm)

<b>Note 4. Technical result - continued</b>	2021	2022	2021	2022	2021	2022
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	482	457	1,900	1,918	1,956	1,914
Gross premiums earned	512	449	1,847	1,992	1,983	1,995
Claims incurred	-480	-573	-922	-1,049	-1,276	-1,210
Bonuses and rebates	-2	-2	-6	-7	-6	-7
Gross operating expenses	-105	-95	-284	-273	-274	-316
Net reinsurance	-3	-3	-4	-3	-64	-55
Technical result	-78	-224	631	659	363	407
Gross claims ratio	94.0	128.1	50.1	52.9	64.6	60.9
Run-off result, net of reinsurance	5	-25	10	-20	100	93
Claims provisions, net of reinsurance	919	961	114	168	764	686
Number of claims incurred ('000)	22	21	104	107	83	87
Average value of claim (DKK '000)	22	26	9	10	17	15
Frequency of claims (per thousand value)	37	37	197	207	127	137
	Fire and property SME		Liability		Tourist assistance	
Gross premiums written	2,111	2,173	535	551	213	234
Gross premiums earned	2,098	2,187	519	552	215	236
Claims incurred	-1,343	-1,272	-330	-386	-51	-160
Bonuses and rebates	-33	-29	-6	-5	-1	-1
Gross operating expenses	-422	-432	-77	-99	-36	-29
Net reinsurance	-30	-181	-16	-27	0	0
Technical result	269	273	89	35	128	46
Gross claims ratio	65.0	59.0	64.5	70.6	23.9	68.1
Run-off profits, net of reinsurance	25	3	-24	-34	4	-5
Claims provisions, net of reinsurance	674	623	607	696	21	31
Number of claims incurred ('000)	23	26	9	9	6	17
Average value of claim (DKK '000)	60	51	34	42	9	9
Frequency of claims (per thousand value)	116	131	78	78	33	87
			Other insurance		Total	
Gross premiums written			530	507	9,620	9,730
Gross premiums earned			554	554	9,618	9,995
Claims incurred			-367	-325	-6,001	-6,198
Bonuses and rebates			-15	-30	-78	-92
Gross operating expenses			-92	-68	-1,547	-1,630
Net reinsurance			13	-2	-99	-276
Technical result			93	128	1,894	1,799
Gross claims ratio			68.0	62.1	62.9	62.6
Run-off profits, net of reinsurance			6	7	255	152
Claims provisions, net of reinsurance			155	134	10,557	10,175
Number of claims incurred ('000)			98	98	379	402
Average value of claim (DKK '000)			4	3	17	16
Frequency of claims (per thousand value)			210	208	98	105

## Notes to the financial statements

(DKKm)	2021	2022
<b>Note 5. Income from affiliates</b>		
Topdanmark Liv Holding A/S	248	1,063
Topdanmark EDB A/S	2	3
TDP.0007 A/S	77	-22
Topdanmark EDB IV ApS	11	4
Other	-3	-4
<b>Income from affiliates</b>	<b>336</b>	<b>1,043</b>
Topdanmark Liv Holding A/S was divested 1 December 2022. The result consists of a result for 11 months until 1 December of DKK 106m and a net gain on sale of DKK 957m.		
<b>Note 6. Value adjustments</b>		
Equity investments	166	-192
Bonds	-257	-1,104
Derivatives	-81	-300
Other	2	5
<b>Value adjustments</b>	<b>-171</b>	<b>-1,590</b>
<b>Note 7. Return and value adjustments of non-life insurance provisions</b>		
<b>Amortisation</b>		
Provisions for unearned premiums and profit margin	10	-80
Reinsurers' share of provisions for unearned premiums	-1	5
Provisions for claims	-25	-154
Risk margin	0	-1
Reinsurers' share of the provisions for claims	0	6
	-16	-223
<b>Value adjustments</b>		
Provisions for unearned premiums and profit margin	4	8
Provisions for claims	360	1,140
Risk margin	2	11
Reinsurers' share of the provisions for claims	-4	-19
	362	1,140
<b>Return and value adjustments of non-life insurance provisions</b>	<b>346</b>	<b>916</b>
<b>Note 8. Other expenses</b>		
Danish guarantee Fund for Non-life Insurers, the bankruptcy of Gefion Insurance A/S	0	25
Other	3	14
<b>Other expenses</b>	<b>3</b>	<b>39</b>
<b>Note 9. Taxation</b>		
Current tax	527	278
Change in deferred tax	-13	-15
Prior year adjustment	0	1
Tax for the year	515	264
Of which tax in shareholders' equity	6	2
<b>Tax</b>	<b>521</b>	<b>265</b>
Pre-tax profit excl. income from affiliates	2,355	1,319
Calculated tax on profit for the year, 22%	518	290
Non-deductible expenses/not taxable income	3	-26
Prior year adjustment	0	1
	521	265

## Notes to the financial statements

(DKK m)

### Note 10. Intangible assets

	Goodwill	Completed developm't projects	Developm't project under construction	Total
<b>2021</b>				
Cost at 1 January	441	0	76	517
Additions	0	0	70	70
Transferred	0	120	-120	0
Cost at 31 December	441	120	27	588
Impairment and amortisation at 1 January	0	0	0	0
Amortisation for the year	0	-1	0	-1
Impairment and amortisation at 31 December	0	-1	0	-1
<b>Intangible assets 2021</b>	<b>441</b>	<b>119</b>	<b>27</b>	<b>587</b>
<b>2022</b>				
Cost at 1 January	441	120	27	588
Additions	0	24	48	72
Transferred	0	13	-13	0
Cost at 31 December	441	157	61	659
Impairment and amortisation at 1 January	0	-1	0	-1
Amortisation for the year	0	-14	0	-14
Impairment and amortisation at 31 December	0	-14	0	-14
<b>Intangible assets 2022</b>	<b>441</b>	<b>142</b>	<b>61</b>	<b>645</b>

Goodwill and development projects under construction are subjected to an impairment test at the end of the year.

Goodwill:

Goodwill relates primarily to the purchase of non-life insurance companies in 1999.

The future cash flows are based on three years' expected technical result and a terminal value of the private segment to which goodwill relates.

The expected technical results are calculated as part of an ongoing, quarterly forecast process.

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed by the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather-related and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreements, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2021: 0%).

The pre-tax discount rate is 11.5% (2021: 7.7%), and the post-tax rate 9.0% (2021: 6.0%).

It is believed that there are no scenarios in which a probable change in the assumptions of the expected technical result or the discount rate will result in a situation in which the carrying amount of goodwill exceeds its recoverable amount for the private segment.

Development projects:

Development projects consists of the new customer and core system, of which the first elements were completed in 2021. The asset includes internal staff costs, while external costs, mainly consultancy costs, are recognised in the subsidiary Topdanmark EDB IV ApS. The expected life-time of the system is 10 years.

Development projects under construction were tested for impairment including the asset in the subsidiary Topdanmark EDB IV ApS. The impairment test was based on 10 years technical results, assuming of a 2% growth. The impairment test did not show any need for write-downs.

Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

## Notes to the financial statements

(DKK m)	2021	2022
<b>Note 11. Tangible assets</b>		
Cost at 1 January	35	32
Additions	2	0
Disposals	-5	-4
Cost at 31 December	32	28
Impairment and amortisation at 1 January	-23	-22
Depreciation for the year	-3	-2
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	4	2
Impairment and depreciation at 31 December	-22	-22
<b>Tangible assets</b>	<b>10</b>	<b>6</b>

### Note 12. Equity investments in affiliates

Topdanmark Liv Holding A/S	1.588	-
Topdanmark EDB A/S	289	292
TDP.0007 A/S	768	745
Topdanmark EDB IV ApS	16	20
Topdanmark Holding S.A.	44	-
<b>Equity investments in affiliates</b>	<b>2.704</b>	<b>1.057</b>

Topdanmark Liv Holding A/S was divested 1 December 2022.

The 99% owned company Topdanmark Holding S.A., domiciled in Luxembourg, was liquidated in 2022.

All subsidiaries end of 2022 are 100% owned and domiciled in Ballerup.

### Note 13. Equity investments in associates

Investments in associates comprise a 27% holding in Bornholms Brandforsikring A/S.

The investment is not material to Topdanmark Forsikring.

### Note 14. Equity investments

The company has agreed to lend equities against security.

Carrying value of equities lent	14	0
Fair value of bonds received as security for the loan	20	0

### Note 15. Assets at fair values

	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3
<b>2021</b>			
Subsidiaries			768
Equity investments	893	274	
Bonds	11.449	1.524	35
Deposits with credit institutions		864	
Derivatives		22	
	12.341	2.684	803
<b>2022</b>			
Subsidiaries			745
Equity investments	828	177	
Bonds	12.773	1.179	37
Deposits with credit institutions		4.044	
Derivatives		9	
	13.601	5.410	782

Equity investments in subsidiaries include the real estate company TDP.0007 A/S, which holds the domicile properties of Topdanmark Forsikring A/S. The basis of the measurement, e.g. management's estimate of the fair value, is an expected annual operating return and a required rate of return. The expected return is based on the assumed net earnings for the year adjusted to reflect normal earnings, including the current market rent. The rate of return used is 5.3% (2021: 4.6%). An increase in the required rate of return of 0.5pp will reduce the fair value by DKK 66m (2021: DKK 73m). Value adjustment in 2022 amount to DKK -47m (2021: DKK 58m).

## Notes to the financial statements

(DKK m)	2021	2022
<b>Note 15. Assets at fair values - continued</b>		
Financial assets recorded at fair value based on non-observable input (level 3)		
1 January	512	35
Purchases	24	0
Value adjustments on assets transferred to level 2	35	0
Transfers from level 2	0	0
Transfers to level 2	-530	0
Repayments	-10	0
Value adjustments (unrealised)	4	2
	35	37

The portfolio consists of bonds for which current return depends on payment on life annuity contracts. The fair value is generally equivalent to the cost price in the transaction currency.

In 2021, management assessed that, in general, the markets for structured credit products (CLOs) could be defined as active again after the COVID-19 situation in 2020. Therefore, according to the applied accounting policies, these assets were transferred back from level 3 to level 2.

The carrying value of financial assets and financial liabilities recorded at amortised cost corresponds approx to fair value.

### Note 16. Reinsurers' share of the provisions for unearned premiums

1 January	96	99
Ceded reinsurance premiums	601	657
Earned reinsurance premiums	-597	-663
Amortisation	-1	5
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>99</b>	<b>99</b>
Net present value of expected future cashflows	20	-7
Profit margin	79	106

### Note 17. Reinsurers' share of the provisions for claims

1 January	394	540
Reimbursement of claims relating to prior years	-160	-262
Change in expected income relating to prior years (run-off)	-14	-36
Reimbursement of claims relating to current year	-108	-138
Expected income relating to current year	432	336
Amortisation	0	6
Value adjustment	-4	-19
<b>Reinsurers' share of the provisions for claims at 31 December</b>	<b>540</b>	<b>427</b>

### Note 18. Deferred tax assets

Operating equipment	2	8
Liabilities provided	5	9
Other	16	22
<b>Deferred tax assets</b>	<b>24</b>	<b>39</b>

### Note 19. Share capital

Share denomination is distributed in shares of DKK 100,000 or multiple hereof.



## Notes to the financial statements

(DKKm)

**Note 20. Other subordinated loan capital**

	Subordinated loan capital (redeemed 2022)	Subordinated loan capital (partially redeemed 2022)	Restricted Tier 1 capital note	
Principal	500	700	400	
Carrying value				
2022	-	700	400	
2021	500	1,000	-	
Fair value (level 2)				
2022	-	700	400	
2021	500	1,000	-	
Date of issue	December 2020	December 2021	December 2022	
Maturity	30 December 2030	16 December 2031	Perpetual	
If permitted by the Danish FSA, the borrower can give notice of termination from	30 December 2025	16 December 2026	22 December 2027	
Interest rate	Cibor 3 months +160bp	Cibor 3 months +125bp	Cibor 3 months +475bp	
			2021	2022
Interest charges			23	25
Costs of raising the loan capital			-	1
Costs of redeeming loan capital			-	5
Of the subordinated loan capital, DKK 1,100m (2021: DKK 1,248m) was included in the company's own funds (capital for solvency purposes).				

**Note 21. Provisions for unearned premiums and profit margin**

Provisions for unearned premiums at 1 January	1,418	1,263
Profit margin at 1 January	1,150	1,316
	2,568	2,579
Gross premiums written	9,620	9,730
Gross premiums earned	-9,618	-9,995
Change in risk margin	23	3
Amortisation and interest accreted	-10	80
Value adjustment	-4	-8
Provisions for unearned premiums at 31 December	1,263	983
Profit margin at 31 December	1,316	1,406
<b>Provisions for unearned premiums and profit margin at 31 December</b>	<b>2,579</b>	<b>2,389</b>

## Notes to the financial statements

(DKKm)	2021	2022
<b>Note 22. Provisions for claims</b>		
<b>Gross</b>		
Provisions at 1 January	10,688	11,097
Claims paid relating to prior years	-2,550	-2,676
Change in expected claims payments relating to prior years (run-off)	-269	-188
Claims paid relating to current year	-3,090	-3,373
Expected claims payments relating to current year	6,286	6,411
Inflation hedging	367	317
Amortisation	25	154
Value adjustment	-360	-1,140
<b>Provisions for claims</b>	<b>11,097</b>	<b>10,602</b>
<b>Net of reinsurance</b>		
Provisions at 1 January	10,293	10,557
Claims paid relating to prior years	-2,390	-2,414
Change in expected claims payments relating to prior years (run-off)	-255	-152
Claims paid relating to current year	-2,982	-3,236
Expected claims payments relating to current year	5,855	6,075
Inflation hedging	367	317
Amortisation	25	149
Value adjustment	-356	-1,121
<b>Provisions for claims, net of reinsurance</b>	<b>10,557</b>	<b>10,175</b>
Workers' compensation insurance	6,135	5,623
Average period of settlement	6 years	6 years

## Notes to the financial statements

(DKKm)

## Note 22. Provisions for claims - continued

## Claims liabilities analysed by claims year

Gross	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	I alt
End of year	7,109	6,184	6,100	5,939	5,385	5,820	5,875	6,114	6,270	6,459	60,099
1 year later	7,285	6,251	6,175	5,924	5,502	5,960	6,061	5,908	6,118		
2 years later	7,311	6,210	6,077	5,838	5,494	6,052	6,041	5,733			
3 years later	7,268	6,160	6,073	5,795	5,577	6,072	5,954				
4 years later	7,195	6,045	6,069	5,685	5,520	5,999					
5 years later	7,150	5,940	5,945	5,697	5,473						
6 years later	7,053	5,871	5,892	5,664							
7 years later	7,019	5,852	5,866								
8 years later	7,037	5,844									
9 years later	6,989										
Less paid incl. inflation hedging	6,699	5,534	5,532	5,335	5,055	5,408	5,249	4,787	4,478	3,349	51,427
Provisions before discounting at 31 December	290	310	334	328	418	591	705	946	1,640	3,110	8,672
Discounting	-3	-4	-3	-9	-6	-12	-14	-25	-50	-87	-213
	287	306	330	319	412	580	692	920	1,590	3,023	8,459
Provisions relating to previous years at 31 December											2,143
Gross provisions at 31 December 2022											10,602

## Net of reinsurance

End of year	5,984	5,826	5,725	5,505	5,203	5,436	5,629	5,833	5,839	6,119	55,831
1 year later	6,019	5,872	5,785	5,521	5,296	5,570	5,796	5,628	5,688		
2 years later	6,045	5,845	5,699	5,432	5,291	5,661	5,776	5,468			
3 years later	6,003	5,795	5,691	5,388	5,377	5,677	5,690				
4 years later	5,931	5,680	5,646	5,274	5,322	5,601					
5 years later	5,885	5,567	5,597	5,258	5,275						
6 years later	5,780	5,497	5,552	5,239							
7 years later	5,746	5,510	5,532								
8 years later	5,767	5,501									
9 years later	5,719										
Less paid incl. inflation hedging	5,433	5,193	5,198	4,936	4,858	5,023	4,992	4,556	4,203	3,211	47,604
Provisions before discounting at 31 December	286	308	334	302	417	578	698	912	1,486	2,908	8,227
Discounting	-3	-4	-3	-7	-6	-11	-13	-23	-42	-82	-194
	283	304	331	296	411	567	685	888	1,443	2,826	8,033
Provisions relating to previous years at 31 December											2,142
Provisions, net of reinsurance, at 31 December 2022											10,175

## Composition of expected payments, net of reinsurance:

Original payment	5,990	5,786	5,737	5,501	5,196	5,433	5,617	5,817	5,851	6,148	57,076
Loss / -gain on settlement	-361	-351	-228	-286	75	181	135	-253	-42	0	-1,130
Amortisation / value adjustment workers' compensation	90	66	23	24	4	-13	-62	-96	-122	-29	-115
	5,719	5,501	5,532	5,239	5,275	5,601	5,690	5,468	5,688	6,119	55,831

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates. However, workers' compensation are included at discounted values.

## Notes to the financial statements

(DKKm)	2021	2022
<b>Note 23. Other liabilities</b>		
Other liabilities at 1 January	0	0
Change in provision	0	361
<b>Other liabilities</b>	<b>0</b>	<b>361</b>
Provisions for expected unwinding costs and other contractual obligations related to the divestment of Topdanmark Liv Holding Group amount to DKK 336m.		
A provision of DKK 25m is related to the bankruptcy of Gefion Insurance A/S.		
<b>Note 24. Staff costs</b>		
Salaries	1,383	1,417
Pensions	234	232
Social security costs	38	38
Payroll tax	261	255
Employee shares	53	54
Share options	7	8
STI-bonus	2	4
	1,977	2,008
Average number of full-time employees	2,177	2,135

### Employee shares

The parent company Topdanmark A/S has allotted shares to Topdanmark Forsikring's employees at a value of DKK 56m (2021: DKK 56m) for a salary cut. The shares are provided free of charge by the parent company. Hence the value of the allotted shares is included in the equity as capital injection.

### Share options (LTI)

Topdanmark's long-term option-based LTI-programm comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme than employment in the full year of allocation. Options are allocated at the beginning of the year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

The options are acquired from Topdanmark A/S at fair value on the date the options are granted.

### Bonus programme (STI)

Topdanmark's short-term cash and share based STI-programme comprises the Executive Board and senior executives. The programme is tied up with the completion of a number of predefined goals for each member of the programme. Bonuses are mainly paid with 50% cash and 50% shares in Topdanmark A/S. Costs in 2021 comprise bonuses earned in 2021 and 2020.

### Severance pay

Severance pay has been described in "Severance pay" in "Management's review".

## Notes to the financial statements

(DKKm)

### Note 25. Related parties

Topdanmark Forsikring A/S is 100% owned by Topdanmark A/S, Ballerup. The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement for Topdanmark A/S.

Possessing an ownership interest of 49.34% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling interest in Topdanmark A/S.

Related parties with material influence comprise the Board of Directors, the Executive Board and their related parties.

#### Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 6,458 m (2021: DKK 6,458 m).

Of the total fee, DKK 318 thousand (2021: DKK 318 thousand) concern Topdanmark Forsikring A/S.

The board comprises nine members.

(DKK '000)	2021	2022
Ricard Wennerklint	1,906	1,906
Jens Aaløse	1,059	1,059
Elise Bundgaard	424	424
Maria Hjorth (from 24 March 2022)	-	476
Mette Jensen	529	529
Cristina Lage	635	635
Petri Niemisvirta	424	424
Michael Noer (from 1 July 2022)	-	212
Morten Thorsrud	424	424
<i>Resigned in 2022</i>		
Anne Louise Eberhard	635	159
Ole Lomholt Mortensen	424	212
<b>Total fee paid</b>	<b>6,458</b>	<b>6,458</b>

For Ricard Wennerklint, social charges of DKK 377 thousand (2021: DKK 377 thousand) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

## Notes to the financial statements

(DKKm)

### Note 25. Related parties - continued

Remuneration of the Executive Board	Peter Hermann	Lars Kufall Beck	Thomas Erichsen (To 30 April)	Total
<b>2022</b>				
Salaries etc	9.9	5.5	1.7	17.2
Pensions	0.0	0.5	0.0	0.5
Fixed remuneration	9.9	6.0	1.7	17.6
Share options	0.7	0.5	0.2	1.4
STI-bonus	2.3	1.1	0.2	3.6
Variable remuneration	3.1	1.6	0.3	5.0
<b>Salaries earned</b>	<b>13.0</b>	<b>7.5</b>	<b>2.1</b>	<b>22.6</b>

Thomas Erichsen is paid one year's salary up until 30 April 2023, DKK 6.3m, which has been accrued in the Annual Report for 2022.

Thomas Erichsen has accrued remuneration equal to 12 months' salary, DKK 5.8m, to be paid on expiry of the employment 30 April 2023.

Lars Thykier, who resigned in August 2021, has in the resignation period up until mid-august 2022 been paid remuneration of DKK 14.5m including severance pay amounting to DKK 10.0m. The full amount was accrued in previous years.

Brian R. Jacobsen resigned 31 December 2021 and receives remuneration during the period of notice up until 30 April 2023, DKK 8.9m, which is accrued in the Annual Report for 2022.

Brian R. Jacobsen has successively accrued remuneration equal to 18 months' salary, DKK 10m, to be paid on expiry of the employment 30 April 2023.

	Peter Hermann	Lars Kufall Beck (From 10 August)	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier (To 10 August)	Total
<b>2021</b>						
Salaries etc.	7.3	2.0	5.4	6.4	3.7	24.9
Pensions	0.0	0.2	0.0	0.0	0.0	0.2
Fixed remuneration	7.3	2.2	5.4	6.4	3.7	25.0
Share options	0.7	0.0	0.6	0.6	0.1	2.3
STI-bonus	3.2	0.4	1.0	0.8	0.6	5.9
Variable remuneration	4.0	0.4	1.6	1.4	1.0	8.2
<b>Salaries earned</b>	<b>11.3</b>	<b>2.5</b>	<b>7.0</b>	<b>7.7</b>	<b>4.7</b>	<b>33.2</b>

Remuneration for Lars Thykier is included up until his resignation from the Executive Board on 10 August 2021.

Brian R. Jacobsen and Lars Thykier have successively accrued remuneration equal to 18 months' salary to be paid on expiry of the employment. Any regulation of the amount is included in the fixed remuneration.

Lars Thykier is paid one year's salary up until 10 August 2022, of which DKK 2.7m has been paid in 2021. The remaining part has been accrued in the annual report for 2021.

Brian R. Jacobsen receives remuneration during the period of notice up until 30 April 2023.

STI-Bonus includes bonus for 2020 and 2021.

	2021	2022
<b>Remuneration of material risk takers</b>		
In addition to the Executive Board, another 18 (2021: 21) employees have material influence on Topdanmark's risk profile.		
Fixed remuneration	48.4	42.7
Variable remuneration	17.1	12.0
	<b>65.6</b>	<b>54.8</b>

The number of material risk takers are calculated as a weighted average.

## Notes to the financial statements

(DKKm)	2021	2022
<b>Note 25. Related parties - continued</b>		
<b>Affiliates</b>		
Paid to Group companies		
IT	256	284
Rent	52	53
Asset management	15	14
Share-based payments	9	9
Reimbursements from Group companies	239	211
Dividend paid	1,800	3,100
Dividend received	1,000	1,000
Interest income	14	18
Average effective interest rate on balances is 0.37% (2021: 0.01%).		
Subordinated loan capital for Topdanmark Liv Holding A/S. Interest, Euro CMS 20 + 525 bp.	300	-

### Note 26. Own funds

Shareholders' equity	7,114	6,181
Profit margin	2,761	1,300
Intangible assets	-1,641	-1,314
Proposed dividend	-3,100	-3,000
Other	-189	-10
Tax effects	-302	-105
Usable share, subordinated notes	1,248	1,100
<b>Own funds</b>	<b>5,892</b>	<b>4,153</b>

### Note 27. Collateral

Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	247	0
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### Note 28. Contingent liabilities

Rental commitments, yearly rent:		
Subsidiary	59	60
External lessors	4	4
Capital commitments made to loan funds and private equity funds etc.	112	102
Minimum rental payments to subsidiary:		
not later than one year	59	60
later than one year and not later than five years	177	181
later than five years	878	837

In connection with the implementation of a new customer and core system, Topdanmark Forsikring A/S has undertaken to give support towards specific suppliers to fulfil Topdanmark EDB IV ApS' obligations in accordance with the contracts.

All companies in the Topdanmark Group and other Danish companies and branches in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax on interest, royalties and dividend for companies concerned.

### Note 29. Other disclosures

The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement of Topdanmark A/S, Ballerup as the lowest company and in the financial statement of Sampo plc, Fabianinkatu 27, Helsinki, Finland, as the highest company.

There have been no events in the period from 31 December 2022 until the presentation of the financial statements which could change the assessment of the Annual Report.

## Notes to the financial statements

### Note 30. Risk factors

The following description of risks in the Topdanmark Group elaborates on risk management.

<b>Non-life insurance</b> Personal, liability and property insurance for the private, SME, and agricultural markets.		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Underwriting risk <ul style="list-style-type: none"> <li>• Acceptance policy</li> <li>• Follow-up policy.</li> </ul> Reserve risk: <ul style="list-style-type: none"> <li>• Provisions for outstanding claims</li> <li>• Provisions for unearned premiums.</li> </ul> Catastrophe risks: <ul style="list-style-type: none"> <li>• Storm and cloudburst</li> <li>• Fire</li> <li>• Terror</li> <li>• Personal accident / Workers' comp.</li> </ul> Cumulative risk.	Profit on both product and customer level.  Spread of risk on different types of insurance/customer groups.  Limited effect on results from individual claims events by means of reinsurance.	Advanced risk-based price models.  Clear rules for new business.  Risk equalisation through extensive reinsurance programme.  Systematic follow-up on profitability.  High data quality.  Use of statistical models for calculation of provisions.

<b>Market</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Interest rate risk  Equity risk  Property risk  Credit spread risk  Concentration risk  Currency risk  Inflation risk  Liquidity risk.	Topdanmark's policy is to accept a certain level of market risk to profit from the Group's strong liquid position and its high, stable earnings from insurance operations.  To improve the average investment return and limit the overall market risk, Topdanmark invests in a range of asset categories.  After the sale of Topdanmark Liv Holding A/S, the equity exposure and strategy are shifted from single-stock picking towards ETFs (Exchange Traded Funds).	Topdanmark's Board of Directors has set limits on the acceptance of market risks in the form of risk limits.  Compliance with these limits is checked regularly.  In order to reduce the risk of inflation within workers' compensation, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.

<b>Counterparty</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Reinsurance           Investment.	To obtain efficient and secure reinsurance cover, which is price competitive, a certain level of counterparty concentration is required.  A certain level of counterparty risk is accepted as an element of generation of return.	Counterparty risk is mainly limited by buying hedging from reinsurance companies which, as a minimum, have a rating of A-.  Counterparty risk is limited by diversification both geographically and in terms of type of debtor.  Counterparty risk on financial contracts is limited by the required security when overall risk on any given counterparty reaches a relatively low threshold value.



<b>Operational risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<p>IT</p> <p>Errors in internal processes, human errors, insurance fraud and deceit</p> <p>Pandemic</p> <p>Model risk.</p>	<p>Generally, operational risks must be reduced to an acceptable level.</p>	<p>Group Security function.</p> <p>Risk assessment, information security policy, prioritisation of risks, guidelines, controls and IT contingency plans based on ISO27001.</p> <p>IT Security Committee/Cyber Security Board.</p> <p>Policy for procedures, system and process descriptions, controls and segregation of duties.</p> <p>Special department for insurance fraud and deceit.</p> <p>Incident register.</p> <p>Digitalisation/automation.</p> <p>Contingency plan in the event of a pandemic escalating. The contingency plan concerns both Topdanmark internally and in relation to changed risk factors for non-life and market risk.</p> <p>Established processes and procedures when using models.</p>

<b>Compliance</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<p>Insufficient knowledge of current or future legislation and rules</p> <p>Violation of legislation and rules</p> <p>Violation of the rules in personal data legislation.</p>	<p>Generally, the area of compliance risks is to be reduced to an acceptable level.</p>	<p>The compliance function issues rules for identification, management and control of compliance risks.</p> <p>The compliance function exercises control and provides counselling to ensure that the Group's divisions, service departments and other staff functions observe relevant legislation and internal rules.</p> <p>Activities initiated through Topdanmark's DPO.</p> <p>Business procedures regarding personal data.</p> <p>Implementation of a new governance for GDPR with the establishment of 'Center of GDPR'.</p>

<b>Climate</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<p>Storm and cloudburst</p> <p>Investments in companies that emit a negative climate footprint.</p>	<p>Generally, the area of climate risk is to be reduced to an acceptable level.</p>	<p>Risk equalisation through an extensive reinsurance programme.</p> <p>Opting out of investments with a disproportionately large negative climate impact.</p> <p>Topdanmark follows the UN Global Compact.</p> <p>Focus on measuring and reporting ESG factors.</p>

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
In generally, strategic risks are related to the Company's business model, political conditions, reputation, collaboration partners' and competitors' conduct as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, to a very high degree of probability, be positive even in the event of another collapse in the financial markets as in 2008. The Company's result will also be positive if it is hit by a storm like the 1999-hurricane, which was the largest storm event in the Company's history. The COVID-19 pandemic that occurred in 2020 has also shown the robustness of Topdanmark's business model.

The following description of risks in the Topdanmark Group elaborates on the above matrix.

## Non-life insurance

### Underwriting risk

#### Acceptance policy

Topdanmark Forsikring's acceptance policy is based on a strategy to make a profit from both products and customers. Topdanmark varies the pricing of its products depending on the relevant risk criteria, the competitive situation and the costs of administering those products.

Topdanmark Forsikring's pricing has been aligned with the individual markets and types of customer. In the private and commercial markets, prices are mostly based on standardised rates, while major commercial customers are offered more individualised charges.

Danish insurance companies do not cover damage arising from floods or the cost of replanting forests following storms, industrial diseases, war or warlike acts, earthquakes or other natural disasters, and with certain exceptions damage due to nuclear energy or radioactivity.

#### Follow-up policy

In order that both products and customers are profitable, Topdanmark systematically acts upon changes in its customer portfolios.

Customer scoring is used in the private market. The customers are divided into groups according to the expected level of profitability. The customer scoring helps ensure the balance between each customer's price and risk. This intends to ensure that no customer pays too much to cover losses on customers who pay too little.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

General insurance rates are re-calculated on a regular basis.

Provisions are generally calculated on a monthly basis across all lines of business. The claims trend is assessed monthly and followed up by any necessary price changes.

Topdanmark Forsikring continues to improve its administration systems to achieve more finely meshed data capture, which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

### Provisioning risk

#### Provisions for outstanding claims

Traditionally, the insurance classes are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail, i.e. those lines where the period from notification until settlement is long.

Examples of short-tail lines are buildings, personal property and comprehensive motor insurance. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third-party insurance and commercial liability.

Composition of Topdanmark Forsikring's overall provisions for outstanding claims:

Distribution of provisions for outstanding claims	2021		2022	
	%	Duration	%	Duration
Short-tail	14	1	17	1
Annuity provisions in workers' compensation	24	11	25	10
Other claims provisions in workers' compensation	22	2	30	2
Accident	30	9	12	3
Motor personal liability	6	2	8	2
Commercial liability	5	2	7	2

In 2021, illness and accident in the life company was included in Accident.

The much higher provisioning risk in long-tail lines compared with short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10-15 years.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case law or practice in the award of damages adopted by, for example, the Danish Labour Market Insurance which awards compensation for injury and loss of earnings capacity in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past ten years.

The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice/legislation.

The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team is continuously in dialogue with the claims departments on any changes in the practices stemming from new legislation, case law or compensation awards as well as the impact of such changes on the procedures used to calculate individual provisions.

The provision risk is described mathematically in Topdanmark Forsikring's internal model and is quantified in the calculation module in the internal model. From this is known the probability of loss/gain of a given amount,

including Topdanmark Forsikring's 200-year provision risk, i.e. a negative run-off that is so large that it will only occur in one of 200 financial years. The 200-year provision risk is included in the calculation of the capital requirement for operating Topdanmark Forsikring's insurance business.

#### Provisions for unearned premiums

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin as an increase in the estimated cashflow will be absorbed by the profit margin up to a combined ratio of 100. Financial estimates and assessments with effect on the result of the year and shareholders' equity are therefore primarily relevant within businesses with combined ratio of 100 or more, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

#### Catastrophe risks

Topdanmark Forsikring limits its insurance risk on significant events through a comprehensive reinsurance programme.

#### Storm and cloudburst

Reinsurance covers storm claims of up to DKK 5.1bn with retention of DKK 100m. Snow load, snow thawing and cloudbursts are also covered. Reinstatement for the proportion of the cover used is activated by payment of a reinstatement premium. In the event of another storm within the same year, there is cover of a further DKK 5.1bn with retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m with retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already affected twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 2.9bn. The storm programme is renewed on 1 July.

Specific reinsurance cover of DKK 100m for cloudbursts takes effect if accumulated annual cloudburst claims exceed DKK 50m. For a claim to be accumulated, the single event must exceed DKK 10m. The maximum retention in the event of an extreme cloudburst is DKK 75m plus reinstatement premiums.

#### **Fire**

Topdanmark Forsikring has a proportional reinsurance programme structure for fire with a maximum retention of DKK 30m per claim on any one business.

#### **Terrorism**

With certain restrictions, terrorism is covered by the reinsurance contracts.

The NBCR terrorism risks are covered by a public organisation financed by fees on insurance covers if a claims event take place. This is according to an act on NBCR terror in force as at 1 July 2019.

#### **Workers' compensation**

In workers' compensation, up to DKK 1bn is covered with a retention of DKK 50m.

#### **Cumulative risk**

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines,

Topdanmark Forsikring's retention is DKK 15m for the first claim, DKK 5m for the subsequent claims up to a total aggregated amount of DKK 50m. DKK 15m for further claims after exhausting of the aggregate cover of DKK 50m. The retention is a maximum of DKK 30m in the SME line. Unknown cumulative risk is where several policyholders could be affected by the same individual event (conflagration damage) without the common risk being recognised prior to the event occurring. The retention is a maximum of DKK 50m.

#### **Market**

Market risk represents the risk of losses due to changes in the fair value of the Group's assets, liabilities, and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, credit spread, concentration, currency, inflation, and liquidity risk.

The limits for these financial risks are set by Topdanmark Forsikring's Board of Directors. In practice, Topdanmark Forsikring's investment department handles the investment, finance and risk alignment processes. Compliance with the limits set by the Board of Directors is regularly controlled. The result of this is reported to the Board of Directors.

Market risks	Risk reducing activities
<p><b>Interest rate risk</b> Topdanmark Forsikring is exposed to an interest rate risk due to provisions for outstanding claims in non-life insurance.</p>	<p>Generally, the interest rate risk is limited and hedged by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level.</p> <p>With regard to cover of interest-bearing assets, supplementary hedging by interest rate swaps will be bought as required.</p>
<p><b>Equity risk</b> Topdanmark Forsikring is exposed to an equity risk from direct investments as well as investments made via derivatives.</p>	<p>The equity risk is alleviated by trades in the market and by derivatives.</p>
<p><b>Property risk</b> Topdanmark Forsikring is exposed to a property risk due to owner occupied properties.</p>	<p>The risk on the property portfolio is limited by the fact that Topdanmark Forsikring is only exposed through the ownership of well-situated owner occupied properties around Copenhagen and Aarhus.</p>
<p><b>Credit spread risk</b> Topdanmark Forsikring is exposed to a credit spread risk from bonds and other investments where prices depend on counterparty creditworthiness.</p>	<p>The credit spread risk is alleviated by focusing predominantly on bonds etc. with very high creditworthiness and by proper diversification on counterparties.</p>
<p><b>Concentration risk</b> Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.</p>	<p>The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.</p>
<p><b>Currency risk</b> Topdanmark Forsikring's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p><b>Inflation risk</b> Future inflation is implicitly included in a number of the models Topdanmark Forsikring uses to calculate its provisions.</p> <p>Workers' compensation differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries.</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time, the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation, Topdanmark Forsikring uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
<p><b>Liquidity risk</b> In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period. Topdanmark Forsikring's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark Forsikring performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.</p>

## Liquidity risk

Expected cash flows (DKKkm)	Carrying amount	Cash flows years					
		1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2021	13,994	4,468	5,465	2,973	1,153	445	105
2022	10,602	4,188	4,822	1,861	759	397	90
Life insurance provisions with-profit							
2021	22,319	2,119	7,346	9,430	3,720	1,041	284
Bond portfolio including interest derivatives							
2021	31,058	11,527	11,026	14,087	3,729	0	0
2022	13,517	8,124	7,779	2,545	565	36	0

In 2021, illness and accident in the life company was included in provisions for claims.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

Topdanmark Forsikring	2021		2022	
	Nom.	Fair value	Nom.	Fair value
Derivatives				
Interest derivatives	368	7	151	-208
Share derivatives	836	0	0	0
Exchange rate derivatives	612	2	169	0
Inflation derivatives	2,298	-163	2,036	142
Total derivatives	4,114	-155	2,356	-66
Due after less than one year	1,648	5	169	0
Due within 1 to 5 years	500	25	500	74
Due after more than 5 years	1,966	-184	1,687	-140

Subordinated loans are due 2031/ perpetual, see (note 20).

Maturity of other financial debt is one year or less.

## Counterparty risk

Counterparty risk, also known as credit risk, is the risk of losses caused by one or more counterparties' full or partial breach of their payment obligations. Topdanmark Forsikring is exposed to credit risks in both its insurance and investment business.

## Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark Forsikring minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 100% of its storm cover has been placed with such reinsurance companies.

## Investment

Topdanmark Forsikring may suffer losses due to its counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark Forsikring's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark Forsikring strives to always have a well-diversified portfolio of bonds not only in regard to a debtor but also geographically.

Interest-bearing assets by rating (%)	2021	2022
>A+	80	66
A+, A, A-	4	5
<BBB-	13	8
Money market deposits	3	21

Money market deposits end 2022, disposed for dividend payment April 2023, are rated A and AA.

Year 2021 include life insurance excl. unit-link.

To limit the counterparty risk of financial contracts, including derivative contracts, the choice of counterparties is restrictive, and security is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the term of the contract.

## Operational risk

Operational risk includes the risk of losses incurred due to errors and deficiencies in internal processes, human errors, fraud, system errors, breakdowns of IT systems and the risk of losses incurred due to external events.

Topdanmark Forsikring regularly develops and improves IT systems, routines, and procedures. The responsible business units are also responsible for the risk management of this development.

Projects are to carry out a risk assessment with a description of the risks, possible consequences and measures to limit these risks.

New IT systems will not be put into production until completion of an extensive test procedure.

## Information Security/Cyber Risks

To ensure effective information and cyber security preparedness, Topdanmark Forsikring has an information security policy and an information security management system (ISMS), both of which are based on the ISO 27001 standard. Topdanmark Forsikring's information security policy is part of the overall risk management system, and it applies to both the company's employees and external business partners. Every year, Topdanmark Forsikring's board approves the information security policy and an IT preparedness strategy based on an updated IT risk assessment.

A risk assessment of significant or critical operational IT risks, including cyber risks, is carried out regularly, and in addition to the board, these risks and the planned initiatives initiated to reduce these risks are reported to the Executive Board, the Risk Committee and Topdanmark Forsikring's Compliance and Risk Management departments.

Topdanmark Forsikring's Cyber Security Board regularly assesses the risk of cybercrime and the measures necessary to achieve the legal security level. The risk is managed and reduced, for example, by collaborating with external specialists in the field.

Risks associated with IT are limited by efficient processes for development, testing and operation. Topdanmark Forsikring uses several levels of security systems in order to counter cyber security threats. For example, the company has invested in technologies for early warning and incident handling. Topdanmark Forsikring also conducts ongoing vulnerability assessments, and tests new systems for weaknesses before they are put into production.

Outsourcing is increasingly used in Topdanmark Forsikring. Consequently, Topdanmark Forsikring investigates and evaluates the information security with new cooperation and service partners. Topdanmark Forsikring also monitors the information security with existing partners to prevent cybercrime.

Within the first month of employment, new employees must complete e-learning courses in e.g. information security and GDPR, and all employees and consultants in Topdanmark Forsikring must undergo an e-learning course on information security annually.

## IT contingency plan

To counter business disruptions caused by cybercrime or problems with information security, Topdanmark Forsikring has a comprehensive contingency plan that ensures that the business can be re-established as quickly as possible. Topdanmark Forsikring also requires external data processors to implement sufficient security measures. This requirement also applies to other external business partners.

## Digitalisation/automation

Topdanmark Forsikring is working continuously on digitalisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help reduce the risk of human errors. Digitalisation is not only robots of which Topdanmark Forsikring has introduced some so far. Topdanmark Forsikring also needs to focus on the future, and what it requires to navigate in an increasingly and rapidly changing technological development going forward. Therefore, Topdanmark Forsikring continues its plan to secure its competitiveness by accelerating the digital transformation to the next level. The company must to a much greater extent deliver individualised, digital customer experiences on the basis of customer insights, simplified insurance and services as well as automated processes.

In order to control the operational risk connected to processes based on algorithms, machine learning and artificial intelligence, robots are tested regularly in order to prevent and eliminate possible programming and system errors. Tests are always carried through prior to new releases and in case of breakdowns of operation.

The robot handling weather-related claims is tested regularly to ensure that it works properly in case of major events.

The robots are working according to the specified rules. In case that the correct parameters have not been implemented in the robot enabling it to find and register the required information, the task is channeled to the

relevant employee. Subsequently, the employee will ensure that the parameters are updated.

Thus, Topdanmark Forsikring has been assessed to have the proper rules of procedure and competencies to detect and handle technology related risks.

### **Errors in internal processes, human errors, insurance fraud and deceit**

Topdanmark Forsikring's well-documented routines, procedures and efficient control environment minimise these risks. We have made contingency plans for the most significant areas.

#### **Internal Audit**

The routines and procedures in all critical areas are regularly audited by Topdanmark's Internal Audit Function to assess the risk and the controls implemented to mitigate the risks.

#### **Central Claims**

Central Claims is a department solely dealing with cases where fraud is suspected. Topdanmark Forsikring believes that honest customers should not have to pay for the relatively few dishonest customers. Therefore, we owe it to our customers to examine any suspicion of insurance fraud.

#### **Incident register**

Topdanmark Forsikring monitors and reports on operational risks so the organisation will learn from its mistakes. Consequently, a process has been established including a tool to register incidents, which are then collected centrally in an incident log and communicated onwards in the management system.

#### **Pandemic risk**

Topdanmark Forsikring has a robust business model with a high degree of diversification between the business activities, a very low liquidity risk and a solid capital base. In case of a pandemic like COVID-19 escalating, Topdanmark Forsikring will operate with an effective contingency plan. The contingency plan concerns both Topdanmark Forsikring internally and the changed risk factors for non-life and market risks.

### **Compliance risk**

At Topdanmark Forsikring, compliance comprises compliance with all statutory and managerial requirements for Topdanmark Forsikring's corporate governance.

Compliance risk is the risk that Topdanmark Forsikring does not have sufficient knowledge of current or future rules. Additionally, compliance risk is the risk of

contravention of rules and the losses this might cause Topdanmark Forsikring and Topdanmark Forsikring's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or bad publicity as a consequence of not acting in compliance with the rules.

Rules comprise all rules, internal rules of Topdanmark Forsikring's policies and the relevant guidelines as well as all relevant legislation and its sub-rules. Furthermore, rules comprise fixed business practices for the performance of activity in Topdanmark Forsikring.

Accordingly, compliance comprises compliance with the rules which are necessary and required to ensure that Topdanmark Forsikring's business is conducted in an appropriate and, in terms of business, proper way. Documentation of compliance for Topdanmark Forsikring's stakeholders is part of compliance.

#### **The compliance function's work**

The compliance function is intended to:

- issue rules for identification, management and control of compliance risks
- exercise control and advise the Group on compliance with legislation and internal rules.

Topdanmark Forsikring's compliance function exercises control and provides advice to ensure that the Group's divisions and service departments comply with relevant legislation and internal rules. The compliance function's work is part of Topdanmark Forsikring's overall control environment, which covers the procedures, control and organisation ensuring observance of rules.

The compliance function's work comprises the following principal tasks:

- Control of compliance
- Annual status with all of the Group's divisions and service departments
- Reporting on compliance risks to the Executive Board and the Board of Directors
- Administration and updating of the compliance function's procedures and tools.

#### **Incident register**

The compliance function administers Topdanmark Forsikring's incident register.

#### **General Data Protection Regulation (GDPR)**

The GDPR contains a large number of requirements for Topdanmark Forsikring's handling and documentation of the processing of personal data.

Topdanmark Forsikring's business is built on a foundation of trust from customers, partners and the outside world. That trust is, among other things, depending on secure



data handling. At the same time, the General Data Protection Regulation takes up more and more space in our environment, and therefore it is also necessary for Topdanmark Forsikring to have a clear handling and allocation of responsibilities that everyone knows about. This means that Topdanmark Forsikring has established a central governing function 'Center of GDPR', a strengthened network, a process and a number of basic principles that everyone must know.

'Center of GDPR' must, among other things, support important GDPR tasks placed in the organisation and make sure to prepare, update and maintain e.g. policies, guidelines and procedures for personal data protection.

### **Climate risk**

Risks due to climate change include both insurance and investment risks. Insurance risks related to climate in Topdanmark Forsikring non-life are especially relating to storm and cloudburst. The company includes these risks in underwriting and hedges the assumed risk in the reinsurance programme. Stress tests show that a storm event on the company's current insurance portfolio will only, in one out of 900 storm events, exceed the reinsurance coverage of DKK 5.1 billion.

Stress tests regarding cloudburst events cause significantly less damage, i.a. as a result of the local authorities' efforts against floods. Overall, the company has hedged the climate risks of non-life insurance satisfactorily.

The investment policies include an exclusion list which i.a. includes companies with activities within the production of fuel from tar sands, thermal coal, smoking tobacco and the production of controversial weapons. In Topdanmark Forsikring's active investment management, there is a focus on acquiring attractive investment opportunities in "green companies" and opting out of investments in companies that have a disproportionately large negative climate impact.

Overall, Topdanmark Forsikring has the necessary focus on climate conditions in relation to the investment company.

## Notes to the financial statements

## Note 31. Five year summary

(DKKm)	2018	2019	2020	2021	2022
Gross premiums earned*	8,662	8,958	9,132	9,618	9,995
Claims incurred	-5,606	-5,525	-6,030	-6,001	-6,198
Bonuses and rebates	-53	-61	-8	-78	-92
Insurance operating expenses	-1,435	-1,469	-1,542	-1,547	-1,630
Net reinsurance	-111	-227	-272	-99	-276
<b>TECHNICAL RESULT</b>	<b>1,458</b>	<b>1,676</b>	<b>1,281</b>	<b>1,894</b>	<b>1,799</b>
<b>Profit on investment activities after transfer to technical result</b>	<b>122</b>	<b>212</b>	<b>108</b>	<b>795</b>	<b>596</b>
Other items	-1	-4	-2	2	-33
<b>PRE-TAX PROFIT</b>	<b>1,579</b>	<b>1,884</b>	<b>1,387</b>	<b>2,691</b>	<b>2,363</b>
Taxation	-290	-384	-289	-521	-265
<b>PROFIT FOR THE YEAR</b>	<b>1,289</b>	<b>1,501</b>	<b>1,098</b>	<b>2,170</b>	<b>2,098</b>
Run-off profits, net of reinsurance	201	377	-5	255	152
Provisions for insurance contracts	13,603	13,407	13,567	13,977	13,279
Total insurance assets	531	512	491	640	526
Total shareholders' equity	6,033	6,269	6,672	7,114	6,181
Total assets	23,413	24,446	24,664	24,980	23,053
Gross claims ratio	65.1	62.1	66.1	62.9	62.6
Net reinsurance ratio	1.3	2.5	3.0	1.0	2.8
Claims ratio, net of reinsurance	66.4	64.6	69.1	63.9	65.4
Gross expense ratio	16.7	16.5	16.9	16.2	16.5
Combined ratio (operating ratio)	83.1	81.2	86.0	80.1	81.8
Combined ratio excl. run-off profits	85.4	85.4	85.9	82.8	83.4
Relative run-off profits, net of reinsurance (%)	2.0	3.7	-0.1	2.5	1.4
Return on shareholders' equity (%)	22.0	26.9	17.5	33.8	36.1

\* Before bonuses and rebates.

## Notes to the financial statements

### Note 32. Accounting policies

The annual financial statements of Topdanmark Forsikring A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds.

The Annual Report has been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pensions funds.

Accounting policies remain unchanged compared with 2021.

### Future accounting policies

#### *Interest rate curve*

From 2023 Topdanmark Forsikring will omit the volatility adjustment (VA), which up to and including 2022 has been added to the EIOPA interest rate curve.

The omission will increase the insurance provisions net of reinsurance 1. January 2023 by DKK 60m and reduce shareholders' equity by DKK 45m net of tax.

#### *Recognition of financial investment assets and liabilities.*

From 2023 the initial recognition of financial instruments in Topdanmark Forsikring is changed from date of settlement to the trade date. In current practice, any fair value changes from the trade date are included in the balance sheet under derivatives. Going forward, purchased financial assets with settlement after the balance sheet date are recognised at trading date, and the purchase price recognised as debt.

### Accounting estimates and judgements

Preparation the financial statements, estimates and judgements have been made which affect the size of assets and liabilities and consequently the results and shareholders' equity in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of insurance provisions.

Significant management's judgements include:

- Determination of methods and models valuation
- Determination of yields assumption
- Future cash flows expectations

- Assessment of data and information obtained from external parties as well as Management's determination of specific risks affects the fair value.

### Provisions for claims

Provisions for claims incurred, but not yet paid, have been calculated as the best estimate at the end of any given year. As all necessary information is not available, there will be deviations between the actual claims paid and the provisions made in the form of either run-off losses (provisions too low) or run-off profits (provisions too high).

The provisioning risk is significant, particularly in lines with a long period of claims settlement such as workers' compensation, accident, commercial and motor liability. The levels of compensation could be significantly affected by any changes in legislation, case-law or the practice in the award of damages adopted by, for example, the Danish Labour Market Insurance.

### Provisions for unearned premiums

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof.

### Profit margin, non-life insurance contracts

Generally, provisions for unearned premiums must be seen in connection with the profit margin, as an increase in the estimated cashflow will result in an increase in the provisions for unearned premiums, and a corresponding reduction of the profit margin.

For business lines where premiums are insufficient for covering expected payments and a risk margin, the profit margin will be zero, and the expected loss will be provisioned for in the provisions for unearned premiums.

### Risk margin for non-life insurance contracts

Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from best estimate relating to settlement of the insurance provisions.

### Measurement of fair value

Fair value is the price which would be achieved on the sale of an asset or paid for the transfer of a liability in a normal transaction between the market players at the time of measurement.

The IFRS defines a hierarchy of three levels for measurement of fair value:

#### Level 1

The calculation of fair value should always be based on the listed prices of transactions in active markets whenever possible. If there is no listed price, another public price is used, which is believed to be the most appropriate. If the transaction on the open market is limited or if there is no closing price, prices from banks/brokers can be used if these are calculated based on fully updated market data and are deemed to be in accordance with the closing price.

#### Level 2

If the transaction on the open market is limited or if listed prices are not set on the market, indicative prices from banks/brokers specifying the non-forced sale value can be used. If this is not possible, valuation methods in which input is based on publicly available information are used.

#### Level 3

If the valuation of the investment asset cannot be based on publicly available market information alone, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used.

### Insurance contracts – classification

Topdanmark Forsikring writes contracts which transfer insurance risk.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be significant.

### Currency

As the predominant rule, DKK is the Company's functional currency and the presentation currency of the Annual Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognised in Revaluations in the Income Statement.

### Expenses

Expenses are recognised in the income statement classified by function. The allocation of expenses, which do not directly relate to a function, is based on an assessment.

### Incentive programme

The Topdanmark incentive programme for the Executive Board and Senior Executives includes a long-term share option programme and a short-term cash and share based bonus programme.

#### *Share options programme (LTI)*

The fair value, on the date the options are granted, is included as staff costs in the income statement, with a set-off in shareholders' equity. The fair value is calculated using the Black & Scholes model.

#### *Cash and share bonus programme (STI)*

Bonuses are recognised as staff costs in the income statement when earned, the share part with a set-off against shareholders' equity.

### Employee shares

Topdanmark Forsikring has established an employee share scheme implying a pay cut. The scheme is based on Topdanmark shares. The value of the shares is included as staff costs in the income statement with a set-off against shareholders' equity.

### Income statement

#### Premiums earned

Gross premiums comprise those premiums which are due within the financial year.

Premiums earned net of reinsurance are recognised in line with the distribution of risk over the period of cover. For onerous insurance contracts, the expected loss is included when the contracts are underwritten or when the contracts become onerous.

As premium provisions and profit margin are calculated at a discounted basis, an element of interest is included in premiums earned.

#### Claims incurred

Claims incurred comprise claims relating to the year as well as any adjustments to the claims provided for the year before. Furthermore, claims incurred comprise direct and indirect expenses on claims handling. The effect on change in provisions for outstanding claims due to amortisation and revaluation is transferred to Return and value adjustments non-life insurance provisions. Value adjustment of derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation is included in claims incurred.

#### Bonuses and rebates

Bonuses and rebates include those premiums that have been or will be paid back to policyholders where the

amount is calculated based on the claims trend using criteria determined prior to the beginning of the financial year, or when the insurance contracts were written.

### Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. Sales commission is generally recognised in the income statement from start of cover of the insurance contract.

Administrative expenses, which comprise other costs incurred in the administration of the portfolios are accounted for on accruals basis.

Commission received from reinsurers has been accounted for on accruals basis over the reinsurance contracts' period of cover.

### Investment return

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of affiliates is included in the income statement under income from affiliates less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

Income from associates comprises a share of the post-tax results of the associates calculated in accordance with the Group's accounting policies. Interest and dividends etc. comprise all earned interest income and dividends received in the year. Realised and unrealised gains and losses on investment assets and exchange rate adjustments, are included in Value adjustments. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

### Return and value adjustments of non-life insurance provisions

Return and value adjustments of non-life insurance provisions includes amortisation and revaluation of premium provisions, claims provisions, profit margin and risk margin, net of reinsurance.

### Other income and expenses

Income and expenses that do not relate to the administration of insurance portfolios or investment assets are included in other income and expenses.

### Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The tax charge related to profit for the year is included in the income statement, and the share related to other comprehensive income and shareholders' equity are taken to other comprehensive income and shareholders' equity respectively. The current tax for the year is calculated using the tax rates and rules applicable on the financial position date.

The parent company Topdanmark A/S is jointly taxed with all the Danish companies of the Topdanmark Group and all Danish companies and affiliates in the Sampo Group. As the management company of the joint taxation, Topdanmark A/S settles all corporation tax payments with the tax authorities.

The joint tax contributions are distributed to the jointly taxed companies on a proportionate basis relative to their taxable income. Furthermore, those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own taxable income.

Topdanmark Forsikring does not provide for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the foreseeable future.

### Assets

#### Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to a lower recoverable amount.

Development projects under construction are subjected to an impairment test end of year. The carrying amount is written down to a lower recoverable amount.

#### Tangible assets

##### Operating equipment

Operating equipment, mostly cars, is measured at cost less depreciation on a straight-line basis over the expected useful life with respect of the residual value, which is annually revalued.

Impairment is assessed end of year, and the carrying amount is written down to a lower recoverable amount.

IT equipment, other equipment and cars as well as improvements of rental properties are depreciated over their expected useful life of up to five years.

## Subsidiaries

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of subsidiaries is included in the income statement under income from subsidiaries less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of subsidiaries is included directly in other comprehensive income items and shareholders' equity respectively.

## Associates

Associates are companies which are not subsidiaries, and over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

## Financial assets

Financial assets are classified at the time of their initial recognition as:

- Financial assets measured at fair value with any value adjustment through profit and loss or,
- Loans and receivables measured at amortised cost.

Financial assets at fair value with any value adjustment through profit and loss are financial assets which are either included in a trading portfolio, are derivatives or at their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets included in "Other financial investments assets" are measured at fair value with any value adjustment through profit and loss.

## Receivables at amortised cost

On initial recognition receivables are measured at fair value, and subsequently at amortised cost. The receivables are regularly assessed for impairment and written down to a lower recoverable amount. Such impairments are generally made collectively on the basis of a due date analysis. When an individual receivable is considered irrevocable, the impaired amount is transferred from the account for collective allowances.

## Reinsurers' share of insurance provisions

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid, net of commission received, which based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of the provisions for claims has been represents the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. Expected future payments are discounted using an interest rate structure. The reinsurers' share is regularly assessed for impairment and written down to a lower recoverable amount.

## Shareholders' equity

### Revaluation reserve

Revaluation reserve comprises a reserve at net asset value relating to subsidiaries and associates.

### Security fund reserves

The security funds are special funds under shareholders' equity. Prior to 1989, they were transferred to shareholders' equity for capital adequacy and were tax-deductible.

The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the Danish FSA.

### Proposed dividend

Dividend forms part of shareholders' equity until the adoption at the annual general meeting. From the time of adoption, the dividend is recognised as a liability.

## Liabilities

### Other subordinated loan capital

The initial recognition of other subordinated loan capital is made at fair value less transaction costs and, subsequently, measured at amortised cost. Any difference between the proceeds (less transaction costs) and the nominal value is recognised in the income statement over the loan period based on an effective interest rate.

### Provisions for insurance contracts

#### Provisions for unearned premiums

Premium provisions are calculated as the best estimate of expected payments of future insurance events covered by insurance contracts concluded.

Premiums for insurance contracts concluded comprise premiums due and those not yet due for insurance contracts for which the Group is committed on the reporting day.

Topdanmark Forsikring's insurance contracts are mostly written for a 1-year period, and the provisions are calculated based on the prognosis for a combined ratio for the next 12 months. The prognosis is based on analyses of the trend in premiums, claims and expenses

and for change of ownership also statistical analyses of trend in claims notification in relation to the time when the insurance contracts were written.

Expected payments are calculated at present value discounted by the volatility adjusted interest rate curve.

Best estimate of undue premiums for insurance contracts concluded is deducted, considering expected customer defection.

Changes in provisions due to a change in the interest rate curve used and amortisation are transferred to "Return and value adjustments of non-life insurance provisions".

#### **Profit margin on non-life insurance contracts**

Profit margin is the expected profit during the remaining part of the period of cover for insurance contracts concluded.

Profit margin is calculated as the difference between expected premiums for future periods of cover for insurance policies concluded and the expected payments included in premium provisions.

Changes in the value due to changes in the interest rate curve used and amortisation are transferred to "Return and value adjustments non-life insurance provisions".

The share of the risk margin related to settlement of premium provisions is deducted from the profit margin.

Profit margin for a portfolio of insurance contracts with similar risks cannot be lower than zero.

#### **Provisions for claims**

Claims provisions must cover future payments of claims incurred and their administration.

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on claims already reported for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed

individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

Inflation is taken into account when calculating the value of the provisions as future inflation is implicitly included in a number of the statistical models used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

Provisions for claims in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark Forsikring's experience base within death intensity for annuitants. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

The assessment of other provisions for claims relating to injuries, loss of provider and expenses is based on conventional actuarial triangulation models. Due to the special conditions surrounding payments on disability claims, it is not possible to use conventional actuarial triangulation models for this type of provision. Topdanmark Forsikring, therefore, uses a model developed in-house, which, among other things, takes into account the stage each claim has reached. The calculation includes an allowance for the expected wage and salary indexation.

Topdanmark Forsikring has purchased derivatives partially hedging the provisions for workers' compensation against changes in future wage and price indexation. The

revaluation of these derivatives is included in claims incurred.

The provisions for claims include the amounts that are expected to be included to cover direct and indirect expenses on settlement of the liabilities.

All provisions have been measured at present value by discounting the expected future payments using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is adjusted for volatility.

#### **Risk margin for non-life insurance contracts**

Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from best estimate relating to settlement of the insurance provisions.

Topdanmark Forsikring calculates risk margin by means the "Cost of Capital" model using a cost of capital rate of 6% in addition to the risk-free interest rate.

#### **Provisions for bonuses and rebates**

Provisions for bonuses and rebates are the amounts payable to policyholders as the result of a favourable claims trend.

#### **Other liabilities**

##### **Provisions for pensions and similar commitments**

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

##### **Corporation tax and deferred tax**

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is

charged in accordance with the balance sheet liability method. Deferred tax on investments in subsidiaries and associates is not included where the Group controls the timing of the reversal of the temporary difference, and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability, using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on the financial position date.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to conduct insurance business.

#### **Other liabilities**

A provision has been recognized for unwinding costs in connection with the divestment of the Topdanmark Liv Holding Group to cover obligations according to the contract.

#### **Debt**

Amounts due to credit institutions and derivatives are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value. The fair value of derivatives is calculated on the same basis as financial assets.

Other loans are measured at amortised cost.

#### **Ratios**

Ratios in Financial highlights and Five-year summary have been calculated in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions.



## Ratios

### **Gross claims ratio**

$\frac{\text{Gross claims incurred} * 100}{\text{Gross premiums earned}}$

### **Net reinsurance ratio**

$\frac{\text{Reinsurance result} * 100}{\text{Gross premiums earned}}$

### **Gross expense ratio**

$\frac{\text{Gross operating expenses} * 100}{\text{Gross premiums earned}}$

### **Combined ratio**

Gross loss ratio + net reinsurance ratio + gross expense ratio

### **Relative run-off, net of reinsurance (%)**

$\frac{\text{Run-off on own account} * 100}{\text{Claims provisions on own account 1 January}}$

### **Return on shareholders' equity (%)**

$\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$

Gross premiums earned comprise the line items "Gross premiums written", "Change in the provisions for unearned premiums", "Change in profit margin and risk margin" and "Bonuses and rebates". Gross claims incurred comprise the line items "Gross claims paid", "Change in the provisions for claims" and "Change in risk margin". Gross operating expenses comprise "Administrative expenses", "Acquisition costs" and "Intra Group reimbursements". Reinsurance result comprise reinsurer's share of the abovementioned line items.

The run-off result is due to claims provisions at the beginning of the year being settled or reassessed through the current year at amounts other than expected and provided for in last year's accounts. The run-off result, gross, is included in claims incurred regardless of income or expense. Run-off result on own account is net of reinsurance's share.

## Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark Forsikring A/S for 2022.

The Annual Report is presented in accordance with the Danish Financial Business Act.

In our opinion, the annual financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2022 as well as the result of the company's activities for the financial year 1 January to 31 December 2022.

We believe that the management review contains a fair review of the development of the company's activities and financial position, together with a description of the most material risks and uncertainties by which the company can be affected.

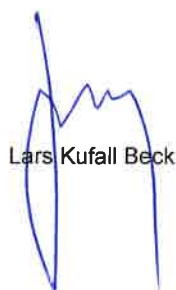
We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 23 February 2023

### Executive Board:



Peter Hermann  
(CEO)

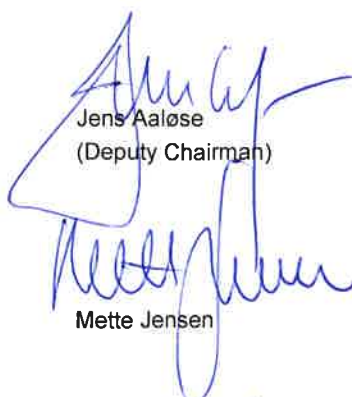


Lars Kufall Beck

### Board of Directors:



Ricard Wennerklint  
(Chairman)



Jens Aaløse  
(Deputy Chairman)



Elise Bundgaard



Maria Hjorth



Mette Jensen



Cristina Lage



Petri Niemisvirta



Michael Noer



Morten Thorsrud

## Independent auditor's report

To the shareholders of Topdanmark Forsikring A/S

### Report on the audit of the financial statements

#### 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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022. The financial statements are prepared 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*

Topdanmark Forsikring A/S' financial statements for the financial year 1 January - 31 December 2022 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including 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 (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 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of Topdanmark Forsikring A/S for the first time on 25 March 2021 for the financial year 2021.

We have been re-appointed at the annual general meeting in 2022 for the financial year ending 31 December 2022.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2022 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided on that context.

**Key audit matter****Measurement of provisions for insurance contracts****Subjective valuation and inherent uncertainty**

Insurance and investment contract provisions represent the largest liability for the Company.

Total provisions for insurance and investment contracts amount to DKK 13,279 million at 31 December 2022 (2021: DKK 13,977 million).

The measurement of the main part of these liabilities are highly judgmental because they require a number of management estimates to be made with high estimation uncertainty related to the expected future cash flows.

The expected future cash flows include among other things the following significant management estimates:

- Future inflation and wage rate development (workers' compensation)
- Expected future payments for claims that occurred before the balance sheet date, especially within workers' compensation.
- Expected future payments for claims that occurred before the balance sheet date and expected closing settlement of claims, especially related to workers' compensation, accident and liability.

The interest rate curve applied in measuring the provisions for insurance and investment contracts also have a significant impact on the measurement of the liabilities.

The determination and application of the methodology and models and performance of the calculations are also complex.

Based on the above we consider the audit of the following part of the provisions for insurance and investment contracts to be a key audit matter:

- Provisions for claims (excluding claims handling provision)
- Provisions for unearned premiums
- Profit margin
- Risk margin.

Information on provisions for insurance and investment contracts is disclosed in notes 21 and 22.

In addition, specified risks, assumptions, etc., related to the estimates of the insurance and investment contract provisions are described in "Provisioning risk" and in "Accounting estimates and judgements" in note 32 Accounting policies.

**Completeness and accuracy of data**

The valuation of the insurance contract provisions depends 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 provisions. If the data used in calculating insurance liabilities, or for forming judgements of key assumptions, is not complete and accurate, then material misstatements to the valuation of insurance liabilities may arise.

**How our audit addressed the key audit matter**

With the assistance of our actuarial specialists, our procedures included:

**Assessment of control environment:** We have assessed the provisioning process, including the governance hereof. Our assessment has included evaluating the qualifications and experience of those responsible for reviewing the provisions and examining the output of the reviews by assessing the scope and depth of these reviews.

Our evaluation of the methodologies, key assumptions and estimates for the most significant and subjective provisions has also supported our assessment of the quality of the Company's provisioning process.

**Test of controls:** Evaluation of design and implementation and testing of effectiveness of key controls that ensure the integrity and completeness of the data used in the actuarial provisioning process including both current and prior year provision data.

We also compared samples of individual claims provisions to appropriate documentation in order to test the valuation of individual claims provisions.

**Replications and independent re-estimation:** We have carried out replications and independent re-estimations of the gross claims provisions covering the lines of business related with the most material risks.

A replication of the provisions is performed by applying identical methods and assumptions as the Company uses in our internal reserving tool.

Independent re-estimation is performed by calculating the level of the provisions using KPMG's own parameters and assumptions.

**Sector experience and benchmarking:** Using our sector knowledge and experience we assessed the Company's applied provision methodologies and assumptions used on probability of mortality, disability, reactivation, and expected loss experience by comparing with the Company's historical experience and market practice. Our assessment focused on the largest changes compared to last year including the run-off results

**Test of completeness and accuracy of data:**

We have tested reconciliations between the claims data recorded in the insurance systems and the data used in the actuarial provision calculations to test completeness and accuracy of data used

**Key audit matter****Measurement of unlisted investments**

Unlisted investments include at 31 December 2022, among other things, owner-occupied properties, unlisted bonds, derivatives, and Collateralized Loan Obligations (CLO's), with a total value corresponding to 4.4% of the Company's investment assets.

Measurement of unlisted investments involves management estimates which materially affect the carrying amount.

We consider the audit of the following unlisted investments to be a key audit matter, due to the high degree of estimation uncertainty associated with the valuation of:

- Owner-occupied properties
- Unlisted bonds
- CLO's / CDO's.

Information on unlisted investments is disclosed in note 15.

In addition, specified judgements, assumptions etc., related to the measurement of unlisted investments are described in "Accounting estimates and judgements" in note 32 Accounting policies.

**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.

**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 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 applicable 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 users taken on the basis of these financial statements.

**How our audit addressed the key audit matter**

With the assistance of our valuation specialists, our procedures included:

**Test of controls:** We have assessed key controls in the valuation processes for owner-occupied properties, bonds, CLO's and derivative instruments. This has included testing controls related to recording and monitoring market information and valuation reports obtained from external parties.

**Test of valuations:** Our audit has included assessing and testing models, methods, assumptions, and data applied by Management in connection with the measurement of the fair value of unlisted investments.

In addition, we have tested and verified the assumptions and data used in the calculations of fair values to underlying documentation on a sample basis.

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

- identify and assess the risks of material misstatement of the 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to 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 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 determined 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, 23 February 2023

## **KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



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State Authorised  
Public Accountant  
mne26779



Kim Schmidt  
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Public Accountant  
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