



Qudos Insurance A/S

CVR No.: 33 95 69 67

Interim Report H1 2017

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Company Information

The Company

Qudos Insurance A/S
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DK-2840 Holte

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Web: www.qudosinsurance.dk

CVR No.: 33 95 69 67

Reg. No.: 53112

Established: 3 October 2011

Registered office: Rudersdal

Financial year: 1 January – 31 December

Board of Directors

Tage Reinert (Chairman)
Nicolai Borch Hansen
Anders Hansen
Niels Ulrik-Mousten

Executive Management

Michel Trudeau (CEO)
Robert Thornedahl (COO)
Troels Risom (CUO)

Auditor

PriceWaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bank

Nordea

Management Review

H1 2017 Results

Financial Highlights

- Profit after tax for H1 2017 was MDKK 13.9 (MDKK -49.3)
- Return on Equity after tax was 7.4% (-21.5%)
- Technical result amounted to a profit of MDKK 15.9 (MDKK -47.4)
- Combined ratio of 95.8 (107.2)
- Gross written premiums on continued business down from MDKK 559.4 to MDKK 327.4, corresponding to a decrease of 41%
- Claims ratio of 52.5 (75.4)
- Reinsurance cost of MDKK -28,756 (MDKK 3.6), corresponding to a reinsurance ratio of 7.7 (-0.6)
- Return on investments of MDKK -2.3 (MDKK -22.0)
- Total investment after return and value adjustments on insurance technical provisions amounted to MDKK -6.6 (-6.3)
- The excess capital (own funds less solvency capital requirement) amounted to MDKK 26.4, corresponding to 14%

In 2016, Qudos initiated a major rehabilitation of its underwriting performance implementing measures to terminate poorly performing agents and measures to increase rates and adopt more restrictive underwriting rules on remaining active agents.

In the first half of 2017, the turnaround continued and included:

- a) additional cancellations of agents;
- b) restructure of remaining binding authority agreements;
- c) restructure of agent's compensation structure targeting a better alignment of agents' underwriting results with the company's underwriting results;
- d) improved claims control; and
- e) adopted a number of internal cost control measures

all aiming at accelerating the improvement of the company's performance and improving the balance of the company's net insurance exposure to its available capital.

At the end of June 2017, the number of active agents authorized to underwrite business on behalf of Qudos has been reduced from 31 to 15 reducing the volume of gross written premium by approximately 232 MDKK. The net effect of those initiatives resulting in an overall 41% reduction of the business volume.

The management continues to review programs that are not profitable, and underwriting actions continue to be taken to further limit the overall risk exposure of the company and improve its underwriting performance.

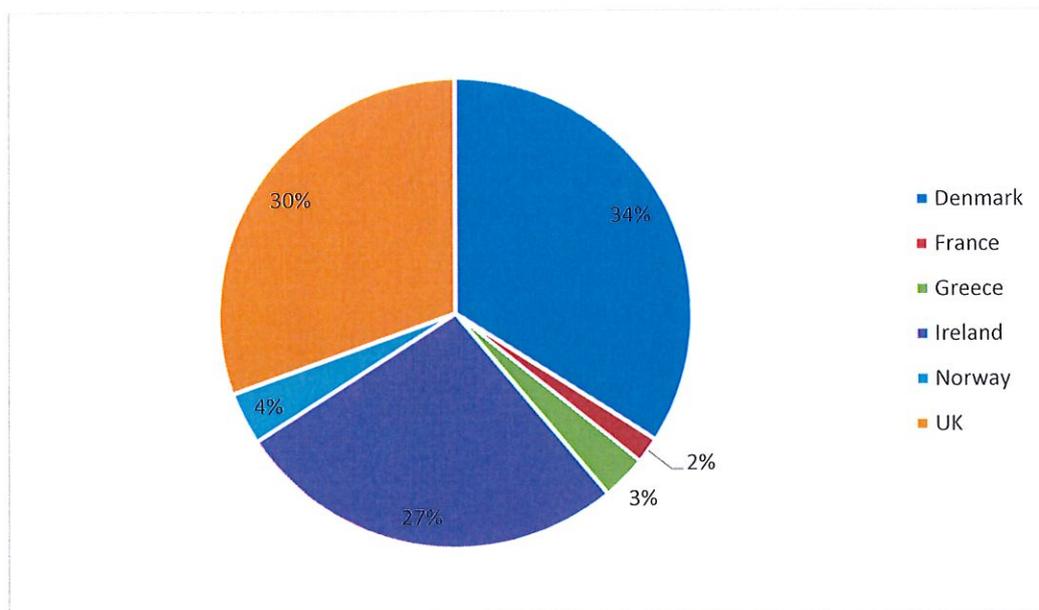
These actions have resulted in a smaller premium base and especially in a smaller motor segment, however, one that is profitable, less volatile and less capital intensive. The actions implemented will lead to a more balanced profile and greater diversification of the underwriting portfolio both geographically and by products.

In the first half, the volume of gross written premiums from active business decreased from MDKK 559.4 to MDKK 327.4. The volume of gross written premiums being generated from 21 binding authority agreements related to the U.K., Ireland, Denmark, Greece, Norway, Spain, France and Italy.

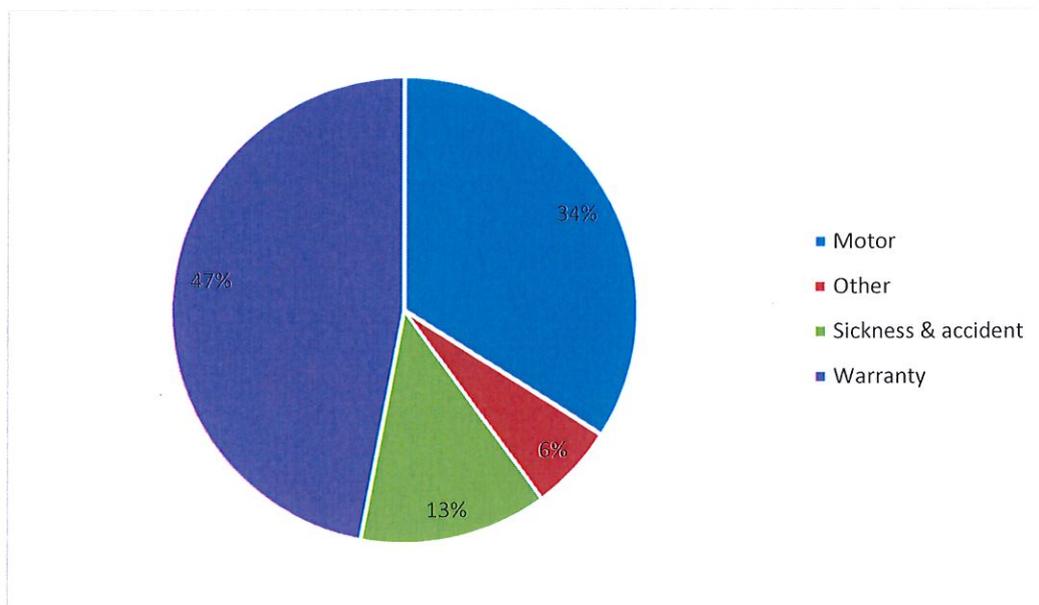
From the 21 binding authorities, only 15 are active and the other 6 have been terminated but the company retains an exposure related to unexpired policies. All other binding authorities no longer have exposure to unexpired policies but the company is still exposed to claims remaining to be settled.

The rationalization of the underwriting portfolio has been concentrated on the UK motor business.

Continued business split by country



Continued business split by Product



Qudos' result on continued business was 44.6 MDKK against a loss of -41.3 last year. This development highlights that the actions taken to date have had a significant positive effect on the profitability of the company.

The gross claim ratio on continued business has improved by 22.9% points affected by the cancellation of binders and agents as a whole. Hence the combined ratio for continued business has improved by almost 11.6% points to a level of 95.8% which is inside the targeted range set for the CR in the short term of the turnaround process.

The discontinued business shows a negative underwriting result of 39.4 MDKK. This negative result was affected by strengthening of the provisions for claims liabilities. The strengthening of the provision for claims liabilities not only affected the estimated frequency and severity of claims incurred in the first half of 2017 but also the provision for claims incurred prior to 2017.

The adjustment for claims incurred prior to 2017 resulting in a reported negative development of MDKK 38.4 net of reinsurance compared to MDKK 66.5 in the same period in 2016.

This negative development relates to a combination of latent claims reported and adverse development on already known claims primarily on the UK motor business resulting from the Ogden rate increase etc. The discontinued business consists of agents and binding authority agreements that are in run-off as well as cancelled binding authority agreements. However, many of the underlying policies issued under those cancelled binding authority agreements have been written mainly for a one-year term and therefore the company continues to be exposed to unexpired policies such that active exposure from those policies will continue until the end of 2017.

Investment Performance

The return on investments amounted to MDKK -6.7 (MDKK -6.3). The return on investments was affected by a negative development in the bond market in H1 2017 as well as currency volatility and uncertainty after Brexit.

Capital position

In March 2017, a capital contribution of MDKK 22.5 was made shortly after the change in ownership that took place on the 7th of March 2017.

At June 30, 2017, the reported shareholder's equity is MDKK 211.1.

The excess capital (own funds less solvency capital requirement ("SCR")) is reported to be MDKK 26.4 MDKK at June 30, 2017. This excess capital corresponds to a SCR ratio of 114.3% at the end of H1 2017. The SCR ratio has continued to increase steadily in July and August 2017.

Qudos continues to report monthly to the Danish FSA under the enhanced supervision and it expects to continue reporting on a monthly basis until the Company can show a steady SCR ratio above 125%.

Qudos uses the standard formula under the Solvency II regime to calculate the Solvency Capital Requirement.

Events after the balance sheet date

In the opinion of Management, from the balance sheet date to the present date, no other matters of major significance have arisen that are likely to materially influence the assessment of the company's financial position.

Change of control

In March 2017, the Danish FSA approved the transaction where Echelon Financial Holdings Inc. ("Echelon") sold all of its outstanding shares of QIC Holdings ApS (QIC) to New Nordic Odin Denmark ApS ("New Nordic"). QIC was the sole owner of all outstanding shares of Qudos Insurance A/S ("Qudos") and with this purchase, New Nordic acquired control of Qudos.

New Nordic is a London based investment management group with expertise in the general insurance.

External review or audit

The Half-Year Report has not been externally reviewed or audited by an independent firm.

Financial Highlights

DKK thousands	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Gross premium income	375,257	640,828	484,545	325,721	130,834
Gross claims incurred	-197,194	-483,389	-282,945	-200,959	-68,216
Total insurance operating costs	-133,403	-208,464	-169,525	-119,555	-47,635
Result of ceded business	-28,756	3,650	-43,151	-8,835	-14,845
Insurance technical result	15,872	-47,375	-11,071	-3,712	193
Return on investments after return and value adjustments on insurance technical provisions	-6,653	-6,288	-1,638	8,518	-3,233
Profit on continuing business	44,607	-41,304	N/A	N/A	N/A
Loss on discontinued business	-30,695	-7,950	N/A	N/A	N/A
Profit/loss for the period	13,912	-49,254	-9,722	3,629	-2,279
Run-off result, net of reinsurance	-38,383	-66,481	-2,649	-3,475	N/A
Total insurance technical provisions	1,359,042	1,472,821	845,634	482,377	195,412
Total insurance assets	685,474	709,148	562,358	326,385	128,023
Total equity	211,042	174,630	161,646	105,593	42,901
Total assets	1,594,138	1,732,899	1,425,294	847,915	381,726
Key ratios:					
Gross claims ratio	52.5	75.4	58.4	61.7	52.1
Gross expense ratio	35.5	32.5	35.0	36.7	36.4
Reinsurance ratio	7.7	-0.6	8.9	2.7	11.3
Combined ratio	95.8	107.4	102.3	101.1	99.8
Operating ratio	97.6	107.4	102.3	101.1	99.8
Relative run-off result	-1.1	-28.4	-1.6	-3.6	0.0
Return on equity after tax	7.2	-21.5	-6.7	4.1	-2.5
Solvency ratio	1.1	1.1	1.7	1.3	1.4

Notes:

Comparative figures are adapted back to 2016.

Gross claims ratio (Gross claims paid / Gross premium income) * 100

Gross expense ratio (Total insurance operating costs / Gross premium income) *100

Reinsurance ratio (Result of ceded business / Gross premium income) *100

Combined ratio (Gross claims ratio + Expense ratio + Reinsurance ratio)

Operating ratio (Combined ratio, where the allocated return on investments is added to the gross premium income) *100

Relative run-off results (Run-off results compared to reserves as at the beginning of the run-off) *100

Return on equity (Result for the period / the average equity) *100 Solvency ratio (Own funds / Solvency capital requirement)

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the Interim Report of Qudos Insurance A/S for the period 1 January 2017 - 30 June 2017.

The Interim Report has been presented in accordance with the Financial Business Act and the Danish Financial Supervisory Authority Order on financial reporting requirements for insurance companies.

We consider the adopted accounting policies to be appropriate and in our opinion, the Interim Report gives a true and fair view of the Company's assets, liabilities and financial position at 30 June 2017 and of the results of its operations for the financial half-year from 1 January 2017 - 30 June 2017.

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 principal risks and uncertainties that the Company can be affected by.

Holte, 31 August, 2017

Executive Management



Michel Trudeau
CEO



Robert Thornedahl
COO



Troels Risom
CUO

Board of Directors



Tage Reinert
(Chairman)



Nicolai Borch Hansen



Anders Hansen



Niels-Ulrik Moustén

Income Statement for the period 1 January 2017 – 30 June 2017
in DKK thousands

	H1 2017	H1 2016
Gross premium written	327,345	559,360
Insurance premiums ceded	-109,776	-299,809
Change in premium reserve	47,144	81,947
Change in profit margin and risk margin	768	-479
Change in reinsurers' share of premium provisions	-48,563	-34,859
Premium income net of reinsurance, total	<u>216,918</u>	<u>306,160</u>
Insurance technical interest	<u>-32</u>	<u>0</u>
Gross claims paid	-199,841	-218,983
Reinsurance cover received	74,198	93,809
Change in gross claims provisions	2,729	-258,925
Change in risk margin	-82	-5,481
Change in reinsurers' share of claims provisions	11,576	157,720
Claims net of reinsurance, total	<u>-111,420</u>	<u>-231,860</u>
Acquisition costs	-121,138	-192,804
Administrative expenses	-12,265	-15,660
Reinsurance commissions and profit participations with reinsurers	43,809	86,789
Insurance operating costs net of reinsurance, total	<u>-89,594</u>	<u>-121,675</u>
TECHNICAL RESULT	<u>15,872</u>	<u>-47,375</u>

Income Statement for the period 1 January 2017 – 30 June 2017
in DKK thousands

	H1 2017	H1 2016
Interest income and dividend etc.	2,514	7,797
Currency and marketable securities adjustments	-3,040	-28,228
Interest expenses	-405	-103
Administrative expenses relating to investment activities	-1,333	-1,467
Return on investments, total	<u>-2,263</u>	<u>-22,001</u>
Return and value adjustment on technical provisions	<u>-4,390</u>	<u>15,713</u>
TOTAL INVESTMENT RETURN AFTER RETURN AND VALUE ADJUSTMENT ON TECHNICAL PROVISIONS	<u>-6,653</u>	<u>-6,288</u>
Other income	2,534	746
Other expenses	-1,139	-37
NET PROFIT BEFORE TAX	10,614	-52,954
Tax	33,993	11,650
Profit on continuing business	<u>44,607</u>	<u>-41,304</u>
Loss on discontinued business (note 1)	-39,353	-10,192
Tax on discontinued business	8,658	2,242
NET PROFIT FOR THE PERIOD	13,912	-49,254
Other total income	-	-
TOTAL INCOME FOR THE PERIOD	<u>13,912</u>	<u>-49,254</u>

Balance Sheet as at 30 June 2017

in DKK thousands

Assets

	H1 2017	31/12 2016
Software	16,666	2,687
IMMATERIAL ASSETS, TOTAL	16,666	2,687
Office equipment etc.	202	263
TANGIBLE ASSETS, TOTAL	202	263
Bonds	404,976	352,434
Other financial investment assets, total	404,976	352,434
INVESTMENT ASSETS, TOTAL	404,976	352,434
Reinsurers' share of premium provisions	137,167	250,145
Reinsurers' share of claims provisions	548,307	511,724
Reinsurers' share of provisions for insurance contracts, total	685,474	761,869
Amounts receivable from intermediaries	97,916	178,310
Amounts receivable in connection with direct insurance contracts, total	97,916	178,310
Amounts receivable from insurance companies	154,855	-
Amounts receivable from affiliated companies	1,003	2,195
Other amounts receivable	318	314
AMOUNTS RECEIVABLE, TOTAL	939,566	942,688

Assets (continued)

	H1 2017	31/12 2016
Deferred tax assets (note 2)	50,227	7,576
Cash and bank deposits	<u>178,596</u>	<u>421,506</u>
OTHER ASSETS, TOTAL	<u>228,823</u>	<u>429,082</u>
Accrued interest income	1,888	1,723
Other prepayments	<u>2,017</u>	<u>4,022</u>
PREPAYMENTS AND ACCRUED INCOME, TOTAL	<u>3,905</u>	<u>5,745</u>
TOTAL ASSETS	<u><u>1,594,138</u></u>	<u><u>1,732,899</u></u>

Liabilities and Equity

	H1 2017	31/12 2016
Share Capital	388,763	366,263
Retained earnings	<u>-177,721</u>	<u>-191,633</u>
EQUITY, TOTAL	<u>211,042</u>	<u>174,630</u>
Premium provisions. gross	319,836	451,732
Profit margin - Non-life contracts	22,991	21,969
Claims provisions. gross	993,503	974,285
Risk margin - Non-life contracts	<u>22,712</u>	<u>24,835</u>
TECHNICAL PROVISIONS. TOTAL	<u>1,359,042</u>	<u>1,472,821</u>
Amounts payable in connection with direct insurance	615	46,525
Amounts payable in connection with reinsurance	-	20,721
Amounts payable to affiliated companies	-	262
Other payables	<u>23,439</u>	<u>17,940</u>
LIABILITIES OTHER THAN PROVISIONS. TOTAL	<u>24,054</u>	<u>85,448</u>
LIABILITIES AND EQUITY. TOTAL	<u><u>1,594,138</u></u>	<u><u>1,732,899</u></u>

**Statement of changes in equity
in DKK thousands**

30 June 2017	Share Capital	Retained Earnings	Total
Shareholders' equity at 31 December 2016	366,263	-191,633	174,630
Profit/Loss for the period	<u>0</u>	<u>13,912</u>	<u>13,912</u>
Total comprehensive income for the period	<u>0</u>	<u>13,912</u>	<u>13,912</u>
Increase of share capital in 2017	<u>22,500</u>	<u>0</u>	<u>22,500</u>
Shareholders' equity at 30 June 2017	<u>388,763</u>	<u>-177,721</u>	<u>211,042</u>

**Statement of changes in equity
in DKK thousands, previous year**

2016	Share Capital	Retained Earnings	Total
Shareholders' equity at 31 December 2015	251,682	-63,265	188,417
Correction previous years		7,576	7,576
Profit/Loss for the year	-	-135,944	-135,944
Total comprehensive income for the year	-	-128,368	-128,368
Increase of share capital in 2016	114,581	-	114,581
Shareholders' equity at 31 December 2016	366,263	-191,633	174,630

Accounting policies

Accounting policies reflect the requirements under the Danish Executive Order on Financial Statements for insurance companies. The Executive Order has been adapted to the new EU Solvency II rules, which took effect from 1 January 2016.

As a consequence of the change of ownership of Qudos Insurance A/S multiple non-profitable agents have been cancelled and discontinued. In the income statement discontinued business is consolidated in one item 'profit/loss on discontinued business'. All lines in the insurance technical result such as gross premiums, ceded business, claims paid and change in provisions reflect only business from continued agencies. Comparative figures including income statement and key figures for 2016 have been restated to reflect the same consolidation. This policy does not have any effect on the result or equity. Discontinued figures are fully disclosed in Note 1.

Other accounting principles have not been changed since the interim report H1 2016 or the annual report for the period 1 January 2016 – 31 December 2016.

DKK remains the functional currency in the interim H1 report. Initial recognition of other currencies made at the exchange rate at the date of the transaction. Technical provisions, receivables, payables and monetary posts are valued at the exchange rate of the closing date 30th June 2017.

Note 1 – Profit-loss of discontinued business

	H1 2017	H1 2016
Gross Premiums	55,313	113,845
Insurance premiums ceded	-12,584	-57,910
Change in premium reserve	127,178	48,932
Change in profit margin and risk margin	465	-120
Change in reinsurers' share of premium provisions	<u>-98,325</u>	<u>-21,170</u>
Premium income net of reinsurance, total	<u>72,047</u>	<u>83,577</u>
Insurance technical interest	<u>-20</u>	<u>-</u>
Gross claims paid	-177,932	-87,373
Reinsurance cover received	92,903	29,697
Change in gross claims provisions	-27,843	-25,510
Change in risk margin	-50	-1,376
Change in reinsurers' share of claims provisions	<u>25,184</u>	<u>22,622</u>
Costs of claims net of reinsurance, total	<u>-87,738</u>	<u>-61,940</u>
Acquisition costs	-44,210	-47,275
Administrative expenses	-7,426	-3,933
Reinsurance commissions and profit participations with reinsurers	<u>27,994</u>	<u>19,379</u>
Insurance operating costs net of reinsurance, total	<u>-23,642</u>	<u>-31,829</u>
INSURANCE TECHNICAL RESULTS	<u>-39,353</u>	<u>-10,192</u>

Note 2

Qudos Insurance A/S and QIC Holdings ApS are jointly taxed. The tax effect in the financial statements is shared by allocation in proportion to taxable income. The companies will be jointly taxed with Blue Cover ApS and subsidiaries from mid-August 2017.