CODAN FORSIKRING A/S
ANNUAL REPORT 2009

Company Reg. No. 10 52 96 38

CF-29042010-4
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Contents

General information

Boards of Directors and Management	**Board of Directors:** Simon Lee, Chairman Anthony Latham, Deputy Chairman Andrew Burke Lars Nørby Johansen Jørgen Lykke * Henrik Müllertz * Rowan Saunders Clare Sheikh Christian Sletten * *) Elected by employees **Board of Management:** Kim Hvirgel, CEO Vibeke Krag
Auditors	**Auditors elected by the general meeting:** Deloitte, Statsautoriseret Revisionsaktieselskab
Ownership	Codan A/S, Frederiksberg, owns all of the shares in Codan Forsikring A/S
Address, etc.	Gammel Kongevej 60 DK-1790 Copenhagen V Telephone: +45 33 21 21 21 Fax: +45 33 55 21 22 Company Reg. No.: 10 52 96 38

Management's review

Financial review

The Company's principal activity

Codan Forsikring A/S offers almost all types of general insurance products to private individuals and companies in the Nordic countries. Being the third largest player in both the personal and commercial markets and the largest marine insurer, Codan Forsikring A/S holds a leading position within general insurance in Denmark. Codan Forsikring A/S offers a comprehensive range of general insurance products and currently has a customer base of some 276,000 customers.

The Company has branches in Norway, Sweden, Finland and Estonia.

The Annual Report for 2009

Codan Forsikring A/S is a subsidiary of RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring A/S Group.

The Annual Report for 2009 has been audited and prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). Accounting policies are described in Note 1.

A five-year summary of key figures and financial ratios is provided in Note 3 to the Annual Report.

Major events in 2009

Profitable growth
In 2009, Codan Forsikring A/S continued to focus on profitable growth, supported by distribution agreements with car dealers, local banks and the DaneAge Association, among others. In addition, the distribution agreements of the Company's branches in Norway and Sweden were extended.

Dividend
On 29 April 2009, Codan Forsikring A/S paid out dividends for 2008 in the amount of DKK 850m. In addition, on 24 April 2009, the Company lent DKK 1,000m to its Parent Company, Codan A/S, on an arm's length basis. In 2008, Codan Forsikring lent DKK 1,000m to RSA Overseas Holding B.V., the Parent Company of Codan A/S. This loan was repaid on 20 April 2009.

Independent member of the Board of Directors
In 2009, Lars Nørby Johansen was appointed as independent member of the Board of Directors and member of the Audit Committee for Codan A/S and the Group Audit Committee for Codan Forsikring/Trekroner Forsikring. The Board of Directors found that his qualifications met the legislative requirements. His appointment has also been notified to the Danish Financial Supervisory Authority.

Profit for the year and development of the Company

The profit for Codan Forsikring A/S for 2009 was DKK 433m against a profit of DKK 355m for 2008.

Despite the financial crisis and economic recession, which have led to a reduction in the number of cars sold, several corporate bankruptcies and a decline in trade and exports, gross earned premiums increased by 1.5% compared to 2008. The increase was most significant in Personal Lines, which accounted for an increase of 5%.

Management's review

The gross claims ratio was 75.2% in 2009 and increased by 0.6%-point compared to 2008. The gross claims ratio for the Danish business increased slightly, in particular in respect of Workers' Compensation and Contents. However, the increase in the gross claims ratio is primarily attributable to the fact that the Norwegian business increased by 23%. The Norwegian business has a somewhat higher claims ratio than the Danish business.

Operating expenses are as expected on the same level as for 2008 and reflect the Company's efforts to implement LEAN projects in approx. 50% of the Company's organisation. Furthermore, the Company continued the process of integrating acquired portfolios and developing sales and distribution channels abroad.

The profit for the year breaks down as follows (in DKK m):

	2009	2008
Balance on the technical account	72	318
Investment result	475	240
Other income and expenses	-13	-104
Tax	-101	-99
Profit for the year	**433**	**355**

The profit for the year is considered satisfactory.

Equity amounted to DKK 3,861m against DKK 4,291m at 31 December 2008. The decrease in equity can primarily be ascribed to dividend payments of DKK 850m to the Company's Parent Company, Codan A/S.

General insurance

Earned premiums
In 2009, gross earned premiums were up by 1.5% to DKK 6,932m from DKK 6,828m in 2008. This increase is the result of 5% growth in Personal Lines, whereas gross earned premiums remain unchanged in Commercial Lines. Earned premiums, net of reinsurance, rose by DKK 99m to DKK 6,555m, equal to a 1.5% increase. Premium growth was influenced by the economic recession, in particular the general decline in trade and exports in the Nordic countries. In 2009, premium growth was up by 13%, of which 6 percentage points were attributable to the Company taking over the Swedish marine insurance activities and the entire Norwegian insurance portfolio from its affiliated company Trygg-Hansa Försäkrings AB.

Claims incurred
Gross claims incurred amounted to DKK 5,148m in 2009 against DKK 5,054m in 2008, corresponding to an increase of DKK 94m or 1.9%.

The gross claims ratio was 75.2% in 2009 as compared with 74.6% in 2008.

The run-off result for 2009 was a profit of DKK 69m against a run-off loss of DKK 95m for 2008. The positive run-off result was due to among other things run-off gains in Workers' Compensation insurance. Provisions for Workers' Compensation constitute a large share of the technical provisions, and consequently, even small variations in the calculation parameters can significantly impact the run-off result. In addition, the Company recorded a positive development in run-off for both accidental damage and public liability insurance.

Technical interest
The technical interest for 2009 was a profit of DKK 64m against a profit of DKK 192m for 2008. This decline was primarily the result of a reduction in the interest rate on which the calculation of the technical

Management's review

interest is based. These interest rates are published by the Danish Financial Supervisory Authority and were 2.28% in 2009 as compared with 4.59% in 2008.

Operating costs
The gross expense ratio was 20.4% in 2009 as compared with 20.0% in 2008. This is in line with the forecast for 2009 in the Annual Report for 2008 of an expense ratio which would be on the same level as in 2008. The slight increase in the expense ratio is the result of a number of factors: Codan Forsikring achieved savings as a result of tight cost control, and throughout 2009, LEAN projects were implemented in approximately half of the Company's organisation. At the same time, this operational cost control opened up for an increased focus on, and consequently increased costs in connection with, the integration of acquired portfolios in the Company's branches in Sweden, Norway and Finland and continued development of the Estonian branch.

Profit/loss from reinsurance
Reinsurance activities generated a loss of DKK 296m in 2009 as compared with a loss of DKK 237m in 2008. This was primarily attributable to a decrease in reinsurers' share of claims incurred, which due to large claims was higher in 2008 than in 2009.

Balance on the technical account
The overall balance on the technical account was a profit of DKK 72m against a profit of DKK 318m for 2008. This change can primarily be attributed to the development in the technical interest, which decreased by DKK 128m. The Company considers the result satisfactory.

Investments
The Company's investments are placed in subsidiaries and in other financial assets. The total investment return was DKK 475m for 2009 against DKK 240m for 2008. The investment return before technical interest amounted to DKK 763m against DKK 703m in 2008.

The investment return for 2009 was impacted by capital gains on the Company's bond portfolio, driven by falling interest rates in 2009.

The profits generated by subsidiaries are as follows: Privatsikring generated a profit of DKK 69m (DKK 73m in 2008), and Trekroner Forsikring generated a loss of DKK 8m (a profit of DKK 2m in 2008). The profit for other subsidiaries amounted to DKK 6m (a loss of DKK 2m in 2008).

Privatsikring
Privatsikring writes business through the Association of Local Banks in Denmark.

Privatsikring generated a profit of DKK 69m for 2009 against a profit of DKK 73m for 2008. The result comprises a balance on the technical account of DKK 69m (DKK 86m in 2008), an investment result of DKK 23m (DKK 12m in 2008) and tax expenses of DKK 23m (DKK 25m in 2008).

Gross earned premiums for Privatsikring increased from DKK 366m in 2008 to DKK 406m in 2009.

Trekroner Forsikring
The business of Trekroner Forsikring primarily lies in the segment "personal insurance aimed at the average Danish family", and particularly the camping segment.

Trekroner Forsikring generated a loss of DKK 8m for 2009 against a profit of DKK 2m for 2008. The result comprises a balance on the technical account amounting to a negative DKK 32m (a negative DKK 6m in 2008), an investment result of DKK 21m (DKK 10m in 2008) and tax income of DKK 3m (tax expenses of DKK 2m in 2008).

Management's review

Gross earned premiums for Trekroner Forsikring increased from DKK 419m in 2008 to DKK 437m in 2009.

The result for the year in Trekroner Forsikring was lower than expected. Premium developments were positive; however, average claims costs were higher than expected and claims handling costs also increased.

Bonds
In January 2009, the Company invested DKK 321m in European corporate bonds. In addition, the Company's exposure to mortgage bonds was increased, whereas the portfolio of government bonds was reduced. This reduction was the result of dividend payments to the Parent Company Codan A/S of DKK 850m. The bond portfolio duration was increased throughout 2009 from approx. 2.5 years to 2.8 years in order to better hedge the interest rate risk in relation to the Company's technical provisions.

The total return on bonds amounted to DKK 651m as compared with DKK 590m in 2008. Danish bonds yielded a satisfactory return of 5.3% in 2009 against 6.1% in 2008. USD bonds yielded a negative return of 0.14% in 2009, primarily as a result of exchange rate fluctuations. Norwegian government bonds yielded a highly satisfactory return of 21.04% following the increase in the value of the Norwegian krone throughout 2009.

Shares
The Company continued to have a low exposure to shares. The Company's shares generated a return of DKK 1m in 2009 as compared with a return of DKK 0.4m in 2008. In 2009, the Company's share portfolio consisted exclusively of unlisted shares.

Loans to Group entities
In 2008, Codan Forsikring granted a loan of DKK 1,000m to RSA Overseas Holding B.V., the Parent Company of Codan A/S. In 2009, this loan was converted into a loan to the Parent Company Codan A/S.

Balance sheet
Total assets for Codan Forsikring increased by DKK 183m, from DKK 15,490m in 2008 to DKK 15,673 in 2009. A significant part of this increase, DKK 55m, was derived from increased capitalisation of development projects. In 2008, the Company initiated a number of projects as a part of its corporate strategy for 2010. These projects include an improved claims system, an improved premium system, various activities at the local offices and the development of platforms and IT tools to optimise and enhance work flows and routines. The financial assets increased by DKK 137m. This increase was offset by a decrease in receivables from policyholders and cash and cash equivalents.

Business initiatives
In 2009, two subjects in particular influenced the world's and Codan's agenda: the financial crisis and the climate debate. Despite the financial crisis, Codan Forsikring managed to increase net premiums and achieve a satisfactory result.

In 2009, Codan Forsikring concluded agreements with Bestseller and Odense Steel in Denmark, Lyberg & Partnere and Autotal in Norway. In April 2009, Codan Forsikring A/S concluded an agreement with BMW Financial Services Denmark, strengthening the Company's position in the car dealer market. With the agreement, an innovative insurance programme for BMW and MINI customers was introduced. The insurance covers the entire product portfolio of the Company − both for private and business customers.

We increased our call centre efficiency and saved a lot of money in the first phase of Accelerated Initiatives in Operations, our LEAN initiatives continued to bear fruit and we are starting to see the effect of our business strategy on Smart Insurance.

Management's review

In accordance with the Group strategy, Codan continued to focus on technical and operational excellence throughout 2009. During the year, the Group completed the activities to strengthen its portfolio management, established a separate Supply Chain function and continued the improvement of the Group's claims processes. The work with LEAN is still ongoing and by the end of 2009 more than half of the Company had been affected by this work. With the above-mentioned measures, the Group has established a good basis for its continued delivery of sound and sustainable profitability.

Remuneration of the Board of Management
In February 2009, a cap was introduced on the incentive pay of top executives in financial entities. Consequently, the variable salary components must not exceed 50% of the fixed basic salary including pension contributions. The remuneration of the Board of Management of Codan Forsikring A/S is in compliance with applicable rules and the remuneration requirement set out in section 77a.

Audit Committee
The Board of Directors of Codan Forsikring A/S and Trekroner Forsikring A/S have established an Audit Committee, "Codan Forsikring/Trekroner Forsikring Audit Committee (C3KAC)".

The Committee consists of three members of the various Boards of Directors. As the independent member with special qualifications in accounting, the Board of Directors of the Company has appointed Lars Nørby Johansen. Lars Nørby Johansen is a member of the Boards of Directors of Codan A/S and Codan Forsikring A/S.

The tasks of the Committee are set out in the Terms of Reference, which are based on Executive Order No. 1389 on Audit Committees in Companies and Groups which are subject to the Supervision of the Danish Financial Supervisory Authority, and include monitoring and control of both the financial reporting process, including calculation of the individual solvency ratios, and the companies' internal control system, risk management systems as well as the effectiveness of the internal audit function. Furthermore, the Committee monitors the statutory audit of the Annual Report and the independence of the auditors.

When performing its tasks, the Audit Committee ensures that due regard is given to matters important to the individual companies, regardless of whether such matters are important for the Group.

The work of the Audit Committee is based on supervision of historical events and does therefore not include future events, expectations or budgets.

In 2009, the Audit Committee held four meetings in connection with the quarterly reporting to the Company's Board of Directors and the Danish Financial Supervisory Authority.

Events subsequent to 31 December 2009

Extended reinsurance programme
As a part of its overall international capital and finance management strategy, RSA has established a new reinsurance company, RSA Reinsurance Ireland Ltd. In the light of this, at the end of the financial year the Management of Codan Forsikring initiated discussions on a new reinsurance policy, which is expected to result in a new reinsurance agreement with the Irish company in 2010.

The agreement does not concern existing reinsurance contracts, but will see Codan Forsikring entering into a so-called quota share arrangement, thereby extending its overall reinsurance cover. The programme is expected to cover 25% of net earned premiums for Danish policies and all Marine policies in 2010. Reinsurance in RSA Reinsurance will be purchased at market price and Codan will receive a commission covering all administrative costs and a minor overhead.

The agreement has been submitted to the Danish Financial Supervisory Authority and the Danish Tax Authorities for approval and information. The quota share programme is expected to take effect towards

Management's review

the end of the first half of 2010 and will be in force for one year at a time, as it is customary for reinsurance contracts.

Acquisition of marine portfolio
With effect from 1 May 2010, Codan Forsikring has acquired the renewal rights for TrygVesta's Marine Hull portfolio, which generated premiums of DKK 400m in 2009. With this purchase, Codan Marine consolidates the Nordic marine insurance market and strengthens its position as the third largest player in the Nordic marine market.

Dividend for 2009
The Board of Directors proposes a dividend payment of DKK 140m. The proposed dividend, which will be considered by the Annual General Meeting on 29 April 2010, is based on the rules regarding solvency, traffic lights and registered assets in accordance with legislation governing insurance companies. The Company's solvency ratio after proposed dividend is 244% and traffic light calculations continue to show a green light. The registered asset requirement has been met by a good margin and with assets of a low financial risk.

Based on its financial position, the Company can be expected to meet its obligations, both in the short and in the long term. The Board of Directors finds that the Company's equity is sufficient seen in relation to the size and risks of the Company.

No other events of material importance to the Company's financial position or business affairs have occurred subsequent to 31 December 2009.

Outlook for 2010

Codan Forsikring expects to generate a satisfactory insurance operating profit in 2010.

2010 is expected to be characterised by the continued economic recession. Public and private spending are expected to be affected by the recession, just as trade and exports are expected to remain stable or decrease.

Premium growth will be impacted by the economic recession; however, the premium increases announced in 2009 are expected to have a positive effect. The increase in claims incurred is expected to level out in 2010, primarily as a result of a decrease in demand and consequently less upward pressure on the price of labour and materials. The expense ratio is expected to be slightly lower in 2010 than in 2009. The Company has planned major investments in development projects at the same time as targeted efforts are being made to implement the corporate strategy. In addition to this, the results depend on the development in personal injury, weather-related and large claims as well as the trend in Danish interest rates.

The Management of Codan does not consider it appropriate to make any statements as to the expected developments in the interest rate and stock markets or the expected value adjustments for 2010.

Management’s review

Environment, employees and competence development
The cornerstone of the Codan Group’s success is our improved ability to attract and retain the best employees. Our ambition is to maintain our position as an attractive workplace with a holistic view of our employees while also offering an international and sound workplace which takes into account the individual needs for development and flexible work conditions of our employees.

Environmental performance
In the climate field, Codan Forsikring also took a lead. As an example, Codan Forsikring was the first financial undertaking to enter into a partnership with DONG Energy, and from 2010, power to Codan Forsikring will be supplied from new wind turbines erected at Avedøre Holme. Codan Forsikring was also represented on the international stage: Through its Parent Company, Codan Forsikring concluded a three-year sponsorship agreement with WWF which is to support the Company's CSR and climate strategy.

Together with Odense University Hospital, Codan established the Child Accident Prevention Foundation in 2008. Efforts to increase awareness of the Foundation were highly successful in 2009. There was major focus on the prevention of children's accidents, and, as an example, the Foundation distributed 50,000 high visibility vests to Danish children in day-care centres.

In 2009, as part of the CSR strategy, Codan Forsikring focussed on volunteering activities. 127 Danish employees volunteered their time and assisted the Child Accident Prevention Foundation at a charity concert in Tivoli and arranged Christmas in Codanhus with the Danish Red Cross for some 200 Danes who could not afford to celebrate Christmas or who did not have anyone to spend Christmas with.

Codan Forsikring has decided to work strategically with corporate social responsibility as it is a prerequisite for attracting the best employees, customers, suppliers and business partners – and thus for building a profitable and sustainable business. The Company is not governed by new rules on the publication of statements on corporate social responsibility but nevertheless published a CSR report, which is available on its website: www.codan.dk/csr.

The insurance industry can, on an equal footing with many other industries, play a vital part in the global fight against climate change. In the Codan Group, we have focused on reducing our carbon footprint. Our aim is to reduce emissions by 5% by the end of 2010 as compared with the 2007 level. It is of vital importance that we take a systematic approach to our own climate impact if we want our business partners and customers to include the environment in their decision making processes.

The Codan Group’s climate efforts include the following:

- Improvement of energy efficiency, waste management, travel policy and resource consumption in properties and processes through a number of defined measures;
- We take part in a number of initiatives for companies which set high standards for climate goals and climate reporting. The Group has joined among others United Nations Global Compact, ClimateWise, and the United Nations Environment Programme Insurance Working Group.

Codan recently entered into a promising partnership with WWF to strengthen the ongoing climate work and add new dimensions, such as research in the Antarctic, the Baltic Sea and climate innovations. The aim is to join forces to increase awareness of society’s role in the global setting and to develop a framework for risk assessment which contributes efficient knowledge and an increased understanding of these issues within the insurance industry.

Focus on engagement
In 2009, RSA once again carried out an employee satisfaction survey in the Group companies worldwide. The survey showed that the Codan Group took a big step in the right direction in 2009 in terms of satisfaction and engagement. Together, we have created a workplace where employees know what is expected of them and where the majority are determined to produce high quality work. However, we also

Management's review

have to get better at ensuring that our employees feel that their work provides them with an opportunity to perform at their best – every day.

In 2009, we continued our efforts to create opportunities for continuous development of the individual employees through the Codan Group's local and global career development programmes offered to us by our Parent Company, RSA. Examples of these programmes are Technical Academy (for specialists), Leadership Development Programme, Fast Track (for tomorrow's leaders) and Global Graduate (for graduates). Other subjects such as health and engagement were also on the agenda during 2009.

Future initiatives

The Codan Group has produced excellent results in terms of its employees in recent years. However, we are convinced that our employees hold even more unexplored potential. That is why we are launching a development programme for leaders and employees called "Unlocking Your Full Potential" in 2010. We will continue to improve and develop the programmes and processes which show our existing and future employees that their efforts are noticed and rewarded. In the same way, we will continue our efforts in 2010 to have a healthy workplace encouraging all employees to focus on physical and mental health.

The Codan Group gives high priority to our employees' engagement in activities which demonstrate our corporate responsibility. Among the initiatives in 2010 was the organisation of a "Volunteers' week" for community volunteering.

Management's review

Risk management in Codan

The overall risk policy and limits for Codan are laid down by the Company's Board of Directors. The connection between the strategic considerations regarding business risks, foreign exchange risks, market risks, credit risks and operational risks is ensured through continuous evaluation of the Company's risk profile.

The Company has implemented necessary and relevant monitoring systems, business processes and controls in order to minimise risks.

For a review of the Company's financial and insurance risks as well as the policies and goals for managing these risks, please refer to Note 2 of the Annual Report.

The key components of the Company's risk profile are set out below:

- Business risk
- Market risk
- Credit risk
- Operational risk

Business risk

The business risks of Codan Forsikring A/S comprise:

- Underwriting and pricing risk
- Reinsurance risk
- Reserve risk (risk involved in determining future claims payments)

The Company monitors insurance risks on an ongoing basis, assessing these risks in relation to the underwriting, reinsurance and capital policies adopted. Codan Forsikring A/S uses reinsurance to hedge the risk of single large losses and major claims.

The pricing policy of the Company is adapted to the individual types of markets and customers. In the personal, commercial and marine markets, premiums are mainly standard rates. However, in respect of large commercial and marine customers, premiums are subject to individual assessment.

In relation to guarantee business, Codan Forsikring A/S provides guarantees for the payment of bank loans established in connection with the purchase of properties. Such guarantees are based on own calculations of the value of the properties using return requirements. The Company has mortgages on the properties and their returns, and a considerable safety margin is included.

Technical provisions to cover future claims payments have been calculated by applying generally accepted actuarial methods. Consequently, Codan Forsikring A/S applies several statistical methods and analyses to determine the probable amount of future claims payments.

Market risk

A significant part of the Company's assets consists of investments recorded at market value on an ongoing basis. Thus, the Company's equity and results are affected by the regional and global performance of stock, bond and foreign exchange markets. Codan Forsikring A/S has investment policy guidelines which lay down criteria for limiting and managing risks in respect of individual investments as well as accumulation of risks. In addition, the Company has an Investment Committee, which monitors the implementation of the investment strategy and submits proposals for changes to the Company's Board of Management.

The majority of the investments of Codan Forsikring A/S consist of listed liquid bonds which are realisable at market value at short notice.

Management's review

Credit risk

The Company's credit risks primarily relate to reinsurance contracts and the portfolio of mortgage bonds.

It is Company policy only to enter into reinsurance contracts with carefully selected sound reinsurers.

More than 85% of the Company's bond portfolio consists of government bonds or AAA rated mortgage bonds.

The Company is exposed to credit risk in connection with its guarantee business where guarantees are provided for the payment of bank loans established in relation to the acquisition of properties. However, such guarantees are provided on the basis of mortgages on the properties in question, as described above in the section on Business risk.

Operational risk

Operational risks comprise losses arising as a result of inadequate or faulty procedures and human or system errors.

Codan Forsikring registers operational risk events in order to continuously assess and remedy these. The direct and indirect financial impacts of various scenarios that may inflict financial losses on the Company are assessed annually, just as contingency plans are updated to minimise any financial losses.

Preparations for Solvency II

In 2009, Codan formally initiated a Solvency II project. The project is managed by a Scandinavian project organisation which reflects the structure of the RSA Group's solvency II activities. For Codan, the project involves ongoing adjustments to and development of the capital models and processes already applied by RSA in accordance with the instructions of the British Financial Services Authority (Internal Capital Assessment Process) and the rules of the FSA on individual solvency requirements.

The Scandinavian project organisation includes a Steering Committee, which meets every month, a Managing Committee, which meets every week, and a Central Team, which currently consists of a Project Management Office. Ten working groups are involved in the project, all of which cooperate with a corresponding working group in the RSA Group to promote efficient resource use and ensure a coordinated response in the RSA Group. The Board of Directors is ensured influence on the project through the CFO of Codan, who is member of the management team of the Solvency II project, regularly reporting on the progress of the work to the Board of Directors.

In addition to the interaction in relation to this project, Codan and RSA Insurance Group (plc) interact at several other levels. The CFO is a member of the Steering Committee of the RSA Group, and representatives of the Central Team participate in teams responsible for the coordination of companies in the countries in which RSA has a presence. The RSA Group seeks an open and positive dialogue with all supervisory authorities, and in keeping with this objective, a Codan representative has participated in the Parent Company's meetings with the UK Financial Services Authority on Solvency II.

Management's review

Directorships and executive positions

Board of Directors
At the time of adoption of the Annual Report, the members of the Company's Board of Directors held the following directorships and executive positions in other Danish public limited companies. Wholly-owned subsidiaries are not included in the list.

Board of Directors	Directorships and executive positions in other Danish public limited companies
Simon Lee, Chairman	Codan A/S (Chairman)
Anthony Latham, Deputy Chairman	Codan A/S (Deputy Chairman)
Andrew Burke	Codan A/S
Lars Nørby Johansen	Oticon A/S (Chairman), Selskabet af 15. december 2008 A/S**, Falck A/S (Chairman), Georg Jensen A/S (Chairman), Konsulentselskabet af 6. juli 2009 A/S**, Codan A/S, William Demant Holdning A/S (Chairman), Stig Jørgensen og partners – LO A/S, CSC Danmark A/S, Index Award A/S, Falck Holding A/S (Chairman), Falck Danmark A/S (Chairman), Cat Invest I A/S (Chairman), Dong Energy A/S (Deputy Chairman), Cat forsknings og teknologipark A/S, OMI People A/S (Chairman), Cat Seed A/S
Jørgen Lykke *	Codan A/S
Henrik Müllertz *	Codan A/S
Rowan Saunders	Codan A/S
Clare Sheikh	Codan A/S
Christian Sletten *	Codan A/S

Management's review

Board of Management
Pursuant to S. 80 of the Danish Financial Business Act, the Board of Directors of Codan Forsikring A/S has approved that the members of the Board of Management of the Company, who were registered during 2009, held or hold the following directorships and executive positions.

Board of Management	Other directorships and executive positions
Kim Hvirgel, CEO	Directorships in: Besigtelses Kontoret af 1914 A/S (Chairman), Forsikringsselskabet Privatsikring A/S
Vibeke Krag	Directorships in: Trekroner Forsikring A/S, Forsikringsselskabet Privatsikring A/S, Besigtelses Kontoret af 1914 A/S
	Executive positions in: Codan A/S (Executive Officer)
Rickard Gustafson	Directorship in: Besigtelses Kontoret af 1914 A/S (Deputy Chairman).
	Executive positions in: Codan A/S (CEO), Trygg-Hansa Försäkrings AB (publ.) (CEO)

* Elected by employees
** Resigned before the end of the year

Statement by the Boards of Directors and Management on the Annual Report

The Board of Directors and the Board of Management have today adopted the Annual Report for Codan Forsikring A/S for the financial year 1 January - 31 December 2009.

The Annual Report has been prepared in accordance with the Danish Financial Business Act.

It is our opinion that the Annual Report gives a true and fair view of the assets, liabilities, financial position and results of the Company. It is also our opinion that the Management's review gives a true and fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 29 April 2010

Board of Management

Kim Hvirgel *CEO*	Vibeke Krag

Board of Directors

Simon Lee *chairman*	Anthony Latham *deputy chairman*	Andrew Burke
Lars Nørby Johansen	Jørgen Lykke	Henrik Müllertz
Rowan Saunders	Clare Sheikh	Christian Sletten

Independent Auditor’s Report

To the shareholders of Codan Forsikring A/S
We have audited the financial statements of Codan Forsikring A/S for the financial year 1 January to 31 December 2009, which comprise the income statement, balance sheet, statement of changes in equity and notes including accounting policies as well as the management´s review. The financial statements and the management commentary have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the financial statements and the management commentary
Management is responsible for the preparation and fair presentation of financial statements and for the preparation of a management commentary that contains a fair review in accordance with the Danish Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements and a management commentary that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on these financial statements and this management commentary based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the management commentary are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the management commentary. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements and the management commentary, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements and to the fair review of a management commentary 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements and the management commentary.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the financial statements give a true and fair view of the Company’s financial position at 31 December 2009 and of its financial performance for the financial year 1 January to 31 December 2009 in accordance with the Danish Financial Business Act and the management commentary contains a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 29. april 2010

Deloitte
Statsautoriseret Revisionsaktieselskab

Henrik Priskorn	Per Rolf Larssen
State authorized public accountant	State authorized public accountant

Income statement

Note	DKK '000	2009	2008
	General insurance		
4	Gross premiums written	6,919,887	7,055,211
	Premiums ceded to reinsurers	-395,039	-364,459
4	Change in the provision for unearned premiums	12,214	-227,495
	Change in the provision for unearned premiums, reinsurers' share	18,242	-7,326
	Earned premiums, net of reinsurance	6,555,304	6,455,931
5	**Technical interest, net of reinsurance**	64,433	192,137
	Claims paid, gross	-5,166,169	-4,908,784
	Claims paid, reinsurers' share	196,855	451,009
	Change in the provision for claims	17,941	-145,344
	Change in the provision for claims, reinsurers' share	-132,984	-327,300
6	**Claims incurred, net of reinsurance**	-5,084,357	-4,930,419
	Bonuses and rebates	-83,769	-55,921
	Acquisition costs	-981,589	-946,952
	Administrative expenses	-414,695	-407,778
	Reinsurance commissions and profit participation	16,661	10,974
7	**Net operating expenses**	-1,379,623	-1,343,756
8	**Balance on the technical account, general insurance**	**71,988**	**317,972**
	Investments		
	Income from Group entities	67,046	72,956
	Income from investment properties	-	-38
	Interest income and dividends, etc.	578,020	557,934
9	Value adjustments	150,062	104,002
	Interest expenses	-6,887	-7,577
	Investment management expenses	-25,036	-24,351
	Total investment return	763,205	702,926
	Technical interest transferred to general insurance	-288,112	-462,927
	Total investment return after technical interest	**475,093**	**239,999**
10	Other income	-	11,290
11	Other expenses	-12,922	-119,240
12	Profit from discontinued operations	-	3,839
	Profit before tax	**534,159**	**453,860**
13	Tax	-101,060	-98,723
	Profit for the year	**433,099**	**355,137**
	Proposal for the distribution of profit:		
	Profit for the year	433,099	355,137
	Retained earnings, beginning of the year	989,861	1,680,123
	Intra-group portfolio transfer	-	15,787
	Intra-group contribution	34,750	20,519
	Transferred to/from revaluation reserve	2,023	-318
	Actuarial gains and losses on pension obligations	1,741	-150
	Transferred to/from reserve for net revaluation according to the equity method	-52,745	-224,367
	Transferred to equalisation reserve	-3,706	-6,870
	Amount available for distribution	1,405,023	1,839,861
	Proposed dividend	-140,000	-850,000
	Transferred to retained earnings	1,265,023	989,861

Balance sheet at 31 December

Note	DKK '000	2009	2008
	Assets		
14	**Intangible assets**	**364,981**	**310,454**
	Equipment	97,924	87,896
	Group occupied properties	1,967	6,337
15	**Total property and equipment**	**99,891**	**94,233**
16	Investments in Group entities	577,354	510,308
	Loans to Group entities	1,005,365	1,000,000
	Total investments in Group entities	**1,582,719**	**1,510,308**
	Equity investments	5,205	4,140
	Bonds	10,817,453	10,702,681
	Other loans	166,710	145,231
	Total other financial assets	**10,989,368**	**10,852,052**
	Deposits with ceding undertakings	992	1,498
	Total investments	**12,573,079**	**12,363,858**
	Reinsurers' share of provision for unearned premiums	46,858	28,376
	Reinsurers' share of provision for claims	793,721	865,456
	Total reinsurers' share of insurance contract provisions	**840,579**	**893,832**
	Receivables from policyholders	679,080	758,090
	Receivables from brokers	5,281	10,756
	Total receivables arising from direct insurance contracts	**684,361**	**768,846**
	Receivables from insurance companies	102,857	137,410
	Receivables from Group entities	178,309	76,246
	Other receivables	58,178	63,810
	Total receivables	**1,023,705**	**1,046,312**
	Assets held for sale	72,480	619
17	Current tax assets	126,902	38,199
18	Deferred tax assets	101,755	45,083
	Cash and cash equivalents	257,552	505,304
	Total other assets	**558,689**	**589,205**
	Accrued interest and rent	196,050	182,549
	Other prepayments	16,043	9,870
	Total prepayments and accrued income	**212,093**	**192,419**
	Total assets	**15,673,017**	**15,490,313**

Balance sheet at 31 December

Note	DKK '000	2009	2008
	Equity and liabilities		
19	**Share capital**	15,000	15,000
	Share premium account	1,732	1,732
	Reserve for net revaluation according to the equity method	277,112	224,367
	Revaluation reserve	963	2,034
	Total revaluation reserve	278,075	226,401
20	Contingency funds	2,082,106	2,082,106
	Translation reserve	7,955	59,278
	Equalisation reserve	70,712	67,006
	Total reserves	2,160,773	2,208,390
	Retained earnings	1,265,023	989,861
	Proposed dividend	140,000	850,000
21	**Total equity**	**3,860,603**	**4,291,384**
	Provision for unearned premiums	2,345,604	2,302,340
	Provision for outstanding claims	8,368,466	7,979,124
	Provision for bonuses and rebates	43,311	41,616
	Total insurance contract provisions	**10,757,381**	**10,323,080**
22	Pension obligations	871	3,368
18	Deferred tax liabilities	41,211	2,543
23	Other provisions	67,200	53,578
	Total provisions	**109,282**	**59,489**
	Deposits received from reinsurers	**-**	**469**
	Payables arising from direct insurance contracts	19,505	19,988
	Payables arising from reinsurance contracts	48,150	43,984
	Amounts owed to Group entities	86,345	87,622
	Other payables	549,007	520,178
24	**Total payables**	**703,007**	**671,772**
	Accruals and deferred income	**242,744**	**144,119**
	Total equity and liabilities	**15,673,017**	**15,490,313**

Notes without reference

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Statement of changes in equity

Note	DKK '000						
		Share capital	Share premium* account	Revaluation and other reserves	Proposed dividend	Retained earnings	Total equity
	2008						
	Equity, beginnning of the year	**15,000**	**1,732**	**2,143,386**	**-**	**1,680,123**	**3,840,241**
	Changes in equity for 2008:						
	Revaluation of Group occupied properties			363			**363**
	Reversal of previous revaluation of Group occupied properties			-200			**-200**
	Currency translation adjustment, foreign subsidiaries and branches			59,088			**59,088**
	Actuarial gains/losses on pension obligations					-150	**-150**
				59,251		-150	**59,101**
	Profit for the year			224,367		130,770	**355,137**
	Total income for the year			283,618		130,620	**414,238**
	Equalisation reserve (credit and guarantee)			6,870		-6,870	**-**
	Transferred to/from revaluation reserve			318		-318	**-**
	Intra-group contribution					20,519	**20,519**
	Intra-group portfolio transfer			599		15,787	**16,386**
	Proposed dividend				850,000	-850,000	**-**
	Changes in equity for the year	**-**	**-**	**291,405**	**850,000**	**-690,262**	**451,143**
	Equity, end of the year	**15,000**	**1,732**	**2,434,791**	**850,000**	**989,861**	**4,291,384**
	2009						
	Equity, beginnning of the year	**15,000**	**1,732**	**2,434,791**	**850,000**	**989,861**	**4,291,384**
	Changes in equity for 2009:						
	Currency translation adjustment, foreign subsidiaries and branches			-50,371			**-50,371**
	Actuarial gains/losses on pension obligations					1,741	**1,741**
				-50,371		1,741	**-48,630**
	Profit for the year			52,745		380,354	**433,099**
	Total income for the year			2,374		382,095	**384,469**
	Equalisation reserve (credit and guarantee)			3,706		-3,706	**-**
	Transferred to/from revaluation reserve			-2,023		2,023	**-**
	Intra-group contribution					34,750	**34,750**
	Dividends paid				-850,000		**-850,000**
	Proposed dividend				140,000	-140,000	**-**
	Changes in equity for the year	**-**	**-**	**4,057**	**-710,000**	**275,162**	**-430,781**
	Equity, end of the year	**15,000**	**1,732**	**2,438,848**	**140,000**	**1,265,023**	**3,860,603**

* According to the Danish Public Companies Act, the share premium account is no longer an undistributable reserve as from the date of the Annual General Meeting in 2005.

Notes to the financial statements

Note

1 Accounting policies

The Annual Report of Codan Forsikring A/S has been prepared in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies.

Codan Forsikring A/S is a subsidiary of RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring A/S Group.

The accounting policies remain unchanged from the Annual Report 2008.

In some tables and notes, the comparative figures have been reclassified when compared to the Annual Report for 2008. The reclassifications are of no importance to the informative value of the individual tables or notes.

General information
The Annual Report is presented in DKK, rounded to the nearest thousand. The business of Codan Forsikring A/S consists mainly of selling general insurance products on the Danish market and investing in Danish securities. In addition, the Company has branches in Norway, Sweden, Finland and Estonia.

The income statement and balance sheet have been prepared in accordance with the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds).

Recognition and measurement
On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property and equipment are measured at cost on initial recognition. Subsequent measurements are made as described for each individual item below. Measurement at amortised cost involves recognition of a constant effective interest rate over the life of the asset or liability. Amortised cost is calculated as the original cost less repayments and with addition/deduction of the accumulated amortisation of the difference between cost and the nominal amount. In this way, capital gains and losses are allocated over the life of the asset or liability.

Assets are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably. Financial instruments are recognised in accordance with this principle, and the trade date is thus used as the date of recognition.

Liabilities are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, the Company has a legal obligation, and when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

The recognition and measurement of assets and liabilities take into account information received after the balance sheet date but before the presentation of the Annual Report if such information proves or disproves circumstances prevailing on the balance sheet date.

Income is recognised in the income statement as earned. Expenses incurred to achieve the earnings for the year, including depreciation, amortisation, impairment losses and provisions, are recognised in the income statement. Adjustments resulting from changes in accounting estimates of items previously recognised in the income statement are also recognised in the income statement. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the income statement, unless otherwise stated below.

Key assumptions and estimates
Determination of the carrying amount of assets and liabilities requires an estimate of how future events will affect the value at the balance sheet date. Estimates having a material impact on the financial reporting are e.g. made in connection with the determination of technical provisions, depreciation, amortisation and impairment losses, properties, pension obligations as well as contingent assets and liabilities. The assumptions and estimates used are reviewed on a continuous basis and are, among other things, based on historical experience and expectations of future events.

The estimates used are based on assumptions which the Management believes to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Codan Forsikring A/S is furthermore subject to risks and uncertainties that could cause actual results to differ from the estimates used.

Risk management is described in Note 2.

The following accounting assumptions and estimates are considered material to the Annual Report:

Notes to the financial statements

Note

Insurance contract liabilities
The provision for outstanding claims is generally affected by key actuarial assumptions and estimates, including expectations of the number and size of claims incurred but not reported as well as inflation developments. In some cases, the historical data forming part of the actuarial methods does not necessarily reflect the expected future level of claims, for instance in connection with amended legislation, legal practice or the practice of the Danish National Board of Industrial Injuries for awarding compensation, where an a priori estimate of the effect is prepared. This estimate is communicated to the business and forms the basis of premium increases necessitated by an expected change in the level of claims.

For general insurance companies, a run-off result is calculated as the difference between

a) the provision for outstanding claims in the opening balance sheet, adjusted for currency translation differences and discounting effects, and
b) the sum of claims paid during the financial year relating to claims incurred in previous financial years, and that part of the provision for outstanding claims relating to claims incurred in previous financial years.

Run-off results for the past five years are shown in the five year summary in Note 3.

Allocations in Codan Forsikring A/S
Expenses that are not directly attributable to individual lines of business or cannot be identified as either claims handling costs, operating expenses (acquisition costs and administrative expenses) or investment management expenses are allocated on the basis of estimated time consumption or cost charge.

Measurement of intangible assets
Impairment testing of intangible assets may be significantly affected by major changes in the estimates and assumptions on which the calculations of recoverable amounts are based.

Deferred tax
The tax liability arising on a temporary difference between the carrying amount and the tax value is generally recognised as deferred tax. If the temporary difference is negative, and it is considered likely that it can be used to reduce future tax liabilities, a deferred tax asset will be recognised.

Codan Forsikring A/S does not make provisions for deferred tax on contingency funds. The reason for this is that in the opinion of the Management, taxation will only take place if the insurance portfolio is transferred or if the Company ceases to carry on insurance business.

Contingent liabilities
Contingent liabilities, including the outcome of pending legal proceedings, are inherently uncertain. The Management has estimated these on the basis of legal assessments of the specific cases.

Changes in assumptions and estimates
As a part of the agreement on financial stability in the pensions area, the interest structure applied to calculate the technical provisions was changed in October 2008. The changes resulted in the use of an adjusted term dependent yield curve for calculations made in the period from 31 October 2008 to 31 December 2009. The adjusted term dependent yield curve is based on the redemption yield on mortgage bonds whereas the original term dependent yield curve was based on zero-coupon rates for liquid interest rate instruments in Euro plus the spread between zero-coupon rates for Danish and German government bonds. In November 2009, the Danish Financial Supervisory Authority extended the period for the use of the adjusted term dependent yield curve to 31 December 2010. The impact of the use of the adjusted term dependent yield curve is specified in Note 29.

Based on the transitional provisions of the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds), the Company has applied a fixed-interest method when discounting technical provisions for workers' compensation insurance up to an including the 2008 financial year. With effect from the 2009 financial year, the Company has instead used a term dependent discount rate similar to the method applied in connection with other technical provisions. The revised method has had a positive impact of approx. DKK 160m before tax on the Company's results and equity as at 1 January 2009.

In 2009, the Company changed its method of distribution in respect of tied agents' commissions, including servicing fees in commissions for direct insurance rather than in Other acquisition costs and administrative expenses in Note 5 - Net operating expenses. Servicing fees for 2009 amounted to DKK 37m.

Business combinations
Newly acquired or established entities are included in the financial statements from the date of acquisition or foundation. Entities sold or terminated are included in the income statement up to the date of disposal. Comparative figures are not adjusted for entities recently acquired, sold or terminated.

Identifiable assets, liabilities and contingent liabilities of newly acquired entities are measured at fair value at the date of acquisition.

The cost of business combinations is measured as the total fair value at the date of acquisition of transferred assets, known or predicted liabilities, and all costs directly attributable to the business combination.

Positive balances (goodwill) between the cost of business combinations and the fair value of identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under intangible assets.

Goodwill is not amortised, but tested at least annually for impairment and written down to the recoverable amount through the income statement if the carrying amount is higher. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

However, in connection with intra-group business combinations or portfolio transfers, the difference between the purchase consideration and the net assets acquired is recognised directly in equity.

When the initial accounting for a business combination can be determined only provisionally, any adjustments to goodwill and the fair values of assets, liabilities and contingent liabilities are recognised within 12 months of the date of acquisition. Subsequently, goodwill will only be adjusted as a result of changes in estimates of contingent purchase considerations. If, 12 months after the acquisition, it is ascertained that the fair value of assets or liabilities at the date of acquisition differs from the values initially recognised, the adjustments are recognised in the income statement.

Any additional price paid in connection with the purchase of minority interests is written down directly against equity.

Intra-group transactions
Business transactions between consolidated companies are conducted on an arm's length basis or on a cost-covering basis.

Foreign currency translation
The Company's functional currency is DKK in respect of business and investments originating from Denmark. This part of the Company constitutes by far the largest proportion. The functional currencies used by the Company's branches in Sweden, Norway, Finland and Estonia are the currencies of the respective countries.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the income statement as value adjustments.

Receivables, payables, other monetary items as well as non-monetary items recognised on the basis of the fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the income statement as value adjustments.

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in equity as part of the translation reserve. If the foreign entity is disposed of, any currency translation differences will be recognised in the income statement in connection with the disposal.

Goodwill and other fair value adjustments of assets and liabilities arising on the acquisition of foreign entities are treated as belonging to the foreign entity and are translated at the exchange rate ruling at the balance sheet date.

Individual areas in the Annual Report

Insurance contracts
Insurance contracts are defined as contracts under which one party (the insurer) accepts an insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is defined as risk, other than financial risk, transferred from the policyholder to the issuer of an insurance contract.

Insurance liabilities are recognised in the balance sheet from the time when the insurance risk is transferred to the insurer. The liability or part thereof is removed from the balance sheet when the liability, as specified in the contract, is met, cancelled or has expired.

The provision for insurance liabilities is recognised so that it, by taking into account what can reasonably be anticipated, is sufficient to cover all liabilities of the Company, but at the same time the level of provision should not be higher than required.

Reinsurance
Reinsurance contracts are defined as insurance contracts entered into with reinsurers under which the Company is fully or partially compensated for losses on one or more insurance contracts issued by the Company.

Notes to the financial statements

Note

Codan Forsikring A/S uses reinsurance as a normal part of its business for the purpose of limiting possible losses through the spreading of risk. Reinsurance does not change the Company's liabilities towards the policyholders. Conclusion of reinsurance contracts therefore means that the Company is exposed to credit risk as far as receivables from reinsurers are concerned.

Earned premiums, claims incurred and technical provisions are shown on a gross basis in the income statement and the balance sheet, i.e. gross of reinsurance.

General insurance contracts

Gross premiums include amounts received by the Company during the accounting period or amounts owed to the Company for direct and indirect insurance contracts whose period of insurance commenced prior to the end of the accounting period.

Gross premiums are recognised less any return of premiums, bonuses and rebates offered to policyholders irrespective of claims experience, and excluding any charges payable to public authorities which were collected together with the premiums. In connection with co-insurance, the share of the total premium belonging to the Company is included.

The provision for unearned premiums is calculated as the sum of amounts which the Company, according to its best estimate, is expected to pay in connection with insured events that are expected to take place after the balance sheet date and which are covered by the insurance contracts entered into by the Company. The provision for unearned premiums furthermore includes the direct and indirect costs that the Company, according to its best estimate, is expected to incur after the balance sheet date in connection with the administration of insurance contracts entered into by the Company.

However, the provision for unearned premiums constitutes at least the sum of the gross premium share calculated for each individual insurance contract which corresponds to that part of the period of insurance falling after the balance sheet date. Codan Forsikring A/S does not discount the provision for unearned premiums as this does not significantly affect the amount of the provision for unearned premiums.

The difference between the provision for unearned premiums, gross at the beginning and at the end of the accounting period is recognised as change in the provision for unearned premiums. However, the proportion of the balance attributable to currency translation differences is recognised in the income statement as value adjustments.

The premium amounts repaid or to be repaid to policyholders are recognised as bonuses and rebates when the repayment amount is determined on the basis of the claims experience during the financial year for the individual insurance contract or a portfolio of insurance contracts based on criteria laid down prior to the beginning of the accounting period or when the insurance contracts are taken out.

The provision for bonuses and rebates includes the expected amounts payable to policyholders based on their claims experience during the accounting period.

Claims paid include amounts paid in respect of insurance claims during the accounting period. The amount includes internal and external costs for the survey and assessment of claims, costs for the limitation of claims incurred as well as other direct and indirect costs for the settlement of claims incurred. Claims paid are recognised after deducting amounts received as a result of the Company taking over insured values or being subrogated to the insured's rights in connection with claims payments.

Run-off gains or losses on previous years' provision for outstanding claims are included in claims incurred.

The provision for outstanding claims is recognised as the sum of the amounts that the Company, according to its best estimate, is expected to pay in connection with insured events that have occurred up to the balance sheet date in addition to the amounts already paid in connection with such events. The provision for outstanding claims furthermore includes the direct and indirect claims settlement costs that the Company, according to its best estimate, is expected to incur.

The provision for outstanding claims is calculated as the sum of expected claims payments and costs on the basis of:

- a case-by-case assessment of reported events comprising all significant events reported;
- an experience-based estimate of events that have been subject to a case-by-case assessment and where the information available is insufficient;
- an experience-based estimate of reported events that have not been subject to a case-by-case assessment; and
- an experience-based estimate of events that have occurred prior to the balance sheet date, but which have not yet been reported at the time of preparing the financial statements.

The methods used for the determination of the provision for outstanding claims are classical actuarial methods. For most of the business, the methods are based on run-off triangles containing paid or reported claim amounts. When using these methods, a joint provision is made for the last three bullets above (the methods do not attempt to separate not reported claims from reported claims).

Notes to the financial statements

Note

The main assumptions of the methods are that the claims run-off is relatively stable over time. It is for instance assumed that a claim occurred in 2009 more or less has the same run-off pattern as a claim occurred in 2006. To the extent that specific knowledge is available which makes such assumption unlikely, the model will be adjusted accordingly. In several segments, reserves relating to claims occurred within the last few years are affected by assumptions concerning underlying changes in premium level, claim frequency and claim size. These assumptions are therefore quantified explicitly and are included as part of the basis for determining the reserve.

For most lines of business, future inflation is handled implicitly in the statistical models. The assumption is that the future claims inflation is equal to the historical claims inflation. In respect of larger lines of business with long settlement periods, this assumption is important for the size of the provision for outstanding claims. This especially applies to workers' compensation insurance where inflation assumptions are therefore handled explicitly.

Reserves are determined in accordance with an internal reserving process. Data used in the reserving process are reconciled with the primary systems. By using the models described above, the size of reserves is subsequently determined. Any application of models to data requires choices and related estimates. These choices and estimates affect the size of reserves. The choices/estimates are therefore reviewed by an internal review process to ensure that the final reserve level is appropriate.

The calculation of the provision for outstanding claims, gross takes into account income and expenses resulting from the acquisition and realisation of assets and rights that the Company, according to its best estimate, expects to be entitled to in connection with claims payments.

All provisions for outstanding claims are measured at present value when discounted. All provisions for outstanding claims are discounted at a term dependent discount rate. The Danish Financial Supervisory Authority calculates the interest rate structure as a weighted combination of swap yields and option-adjusted mortgage yields and publishes it on its website.

The difference between the provision for outstanding claims at the beginning and at the end of the accounting period is recognised as change in the provision for claims. However, the proportion of the balance attributable to currency translation differences and changes in the discount rates used is recognised in the income statement as value adjustments. Technical interest includes the proportion of change in the provision for claims attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwinding of discount).

Amounts paid or payable by the Company to reinsurers for reinsurance cover during the financial year are recognised as premiums ceded to reinsurers.

Reinsurers' share of provision for unearned premiums includes the Company's rights under reinsurance contracts calculated as the net premium less that part of the net premium relating to the time prior to the balance sheet date. The net premium is the premium paid by the Company for reinsurance contracts. The asset is tested for impairment and written down to any lower recoverable amount.

Change in the provision for unearned premiums, reinsurers' share includes the difference between the proportion of the provision for unearned premiums attributable to reinsurance cover at the beginning and at the end of the financial year. However, as is the case with change in the provision for unearned premiums, gross, the proportion of the balance attributable to currency translation differences is included in the income statement as value adjustments.

Amounts received by the Company during the financial year from the Company's reinsurers to cover claims incurred under reinsurance contracts are recognised as claims paid, reinsurers' share.

Reinsurers' share of provision for claims includes the Company's rights under reinsurance contracts as regards insured events that have occurred. The rights are determined on the basis of the terms of the reinsurance contracts, using the same estimates and discounting principles that have formed the basis for the calculation of the provision for outstanding claims, gross. As is the case with reinsurers' share of provision for unearned premiums, the asset is tested for impairment and written down to any lower recoverable amount.

Change in the provision for claims, reinsurers' share includes the difference between the proportion of the provision for outstanding claims attributable to reinsurance cover at the beginning and at the end of the financial year. As is the case with change in the provision for claims, gross, the proportion of the balance attributable to currency translation differences and changes in the discount rate applied is recognised in the income statement as value adjustments. Furthermore, the proportion of the change attributable to the impact of the unwinding of discount of the reinsurers' share of provision for claims during the period is included in the technical interest.

A proportion of the total investment result is transferred to technical interest in the income statement as a return on the average technical provisions for the year and is designated 'Technical interest'. The impact of the unwinding of discount is offset against the interest income in connection with discounting. In respect of provisions discounted at a term dependent discount rate, the technical interest and discounting are calculated on the basis of the same principles and therefore the two items offset each other. In respect of

Notes to the financial statements

Note

non-discounted provisions, primarily the provision for unearned premiums, net of reinsurance, the technical interest on the year's average provisions is calculated on the basis of the yield on bonds with a term to maturity of less than three years.

Operating expenses
Deferred expenses for the acquisition and management of the Company's portfolio of insurance contracts are included in operating expenses. The item includes the corresponding share of staff costs, commissions, marketing expenses, rent, expenses for stationary and office supplies, and depreciation, amortisation and impairment of property and equipment as well as intangible assets.

The proportion of operating expenses attributable to the acquisition and renewal of the portfolio of insurance contracts is included in 'Acquisition costs'. Acquisition costs are recognised at the time of commencement of the insurance contracts.

Commissions received from reinsurers are accrued over the cover period of the insurances.

Financial instruments
In connection with the acquisition and disposal of financial instruments under normal market conditions, the trade date is used as the date of recognition or the date where the asset/liability is no longer recognised in the balance sheet. When the financial instrument is recognised, an asset/liability equal to the agreed price is also recognised. On the disposal of a financial instrument, an asset/liability equal to the agreed price is similarly recognised. The liability or the asset will no longer be recognised in the balance sheet on the settlement date.

Leases
Assets held under finance leases are recognised on equal terms with other equipment from the time when Codan Forsikring A/S is entitled to use the leased asset. On initial recognition, the asset is measured at the lower of the fair value and the present value of the agreed lease payments. When calculating the present value, the interest rate implicit in the lease is used as discount rate or an approximate value for this. Changes in present values during the financial year are recognised as financial expenses.

The capitalised remaining lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement as incurred.

Assets held under operating leases are not recognised in the balance sheet, and lease payments are recognised in the income statement on a straight-line basis over the period of the lease.

In connection with sale and leaseback transactions (sale of an asset and leaseback of the same asset) resulting in operating leases, the sale price and lease payments will be assessed relative to the fair value. If the transaction has been agreed at fair value, any profit or loss relative to the carrying amount will be recognised immediately.

If the sale price is below fair value, any profit or loss will also be recognised immediately, unless the loss is compensated for by future lease payments below market price. In such cases the loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

The Company has no sale and leaseback transactions where the leaseback is a finance lease.

Incentive schemes
The RSA Group operates share option schemes satisfied by shares in RSA Insurance Group plc. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, the Company revises the estimates of the number of options expected to become exercisable. Codan Forsikring A/S recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Assets held for sale and discontinued operations
Discontinued operations are classified as one entity whose operations and cash flows can clearly be separated from the remaining business - both operationally and financially - and where the operations have either been disposed of or separated for the purpose of sale. Operations/assets are classified as Assets held for sale or Discontinued operations if their carrying amount will be recovered principally through a sale transaction within 12 months according to a formal plan rather than through continuing use. Discontinued operations also include businesses acquired for resale, where the sale is likely to be completed within one year.

Discontinued operations are presented in a separate line in the income statement together with comparative figures and are specified in the notes. Balance sheet items relating to discontinued operations and assets held for sale are recognised as separate items in assets and liabilities, respectively. Comparative figures for assets and liabilities are not restated.

Notes to the financial statements

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Assets held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. The assets are not subject to depreciation.

Income statement
As regards the technical account in the income statement, reference is made to the specifications in 'General insurance contracts' and 'Operating expenses'.

Investment return
Income from investment properties, excluding interest and fair value adjustments, includes rental income and other operating income less direct operating expenses, including property management costs.

Interest and interest-related income from bonds, other securities, loans and receivables, including indexation of index-linked bonds and dividends on equity investments, are recognised in interest income and dividends, etc.

Total value adjustments, including currency translation adjustments as well as net gains and losses from the sale of assets falling within the group of investments in the balance sheet, are recognised as value adjustments. Change in the provision for outstanding claims, net of reinsurance, resulting from changes in the discount rates used is also recognised.

Interest on and interest-related expenses in connection with payables and liabilities are recognised as interest expenses. Borrowing costs are charged to the income statement as incurred, as borrowing costs related to qualifying assets are not capitalised (e.g. in connection with the construction of Group occupied properties).

Costs attributable to trading in and management of the Company's investments are recognised as investment management expenses.

The investment return further includes income from Group entities, which consists of Codan Forsikring A/S' share of subsidiaries' net profit after tax.

Other income and expenses
Income and expenses that are not attributable to the Company's insurance portfolio or investments are included in other income and expenses.

Tax
Codan Forsikring A/S is taxed jointly with Danish subsidiaries and Codan A/S as well as the Danish subsidiaries of this company. Full allocation is made to all jointly taxed companies. Tax for the year, consisting of current tax for the year, any change in deferred tax and adjustments relating to previous years, is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The Company is subject to the Danish tax prepayment scheme. Additions, deductions and allowances relating to tax payments are included in 'Interest and dividends, etc.' and 'Interest expenses'. Tax payments are made to Codan A/S, which, according to the rules on joint taxation, acts as administration company.

Current tax liabilities and assets are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable income for previous years and tax paid on account.

Deferred tax liabilities are measured using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes and other items where such differences - except in connection with acquisitions - have arisen at the date of acquisition without having an impact on the financial results or the taxable income. In those cases where the tax base can be determined according to alternative taxation rules, deferred tax liabilities will be measured on the basis of the planned use of the asset and the settlement of the liability.

Deferred tax assets, including the tax base of tax losses that may be carried forward, are recognised in Other assets at the value at which they are expected to be used, either through elimination of tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates in the respective countries which, based on the legislation in force at the balance sheet date, will apply when the deferred tax liability is expected to be settled or when the deferred tax asset is expected to be realised. Change in deferred tax resulting from changes in tax rates is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

Codan Forsikring A/S does not make provisions for deferred tax on contingency funds. According to the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements, a provision for deferred tax on contingency funds should only be made if it is likely that a situation will arise within the foreseeable future that will result in taxation. In the

Notes to the financial statements

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opinion of the Management, taxation will only take place if the insurance portfolio is transferred or if Codan Forsikring A/S ceases to carry on insurance business.

Intra-group contributions
Intra-group contributions are treated as capital increases in respect of contributions from the Parent Company or companies affiliated with the Company and as dividends in respect of contributions from the Company to the Parent Company or affiliated companies.

Balance sheet
Assets
Intangible assets
Goodwill
Goodwill is initially recognised in the balance sheet at the amount corresponding to the excess of the cost of acquisition of Codan Forsikring A/S' interest in an acquired entity over Codan Forsikring A/S' interest in the fair value of the acquired assets and liabilities, including contingent liabilities, at the time of acquisition. Goodwill relating to acquisitions prior to 2004 is recognised at the carrying amount on transition to IFRS. This goodwill has thus been recognised on the basis of the cost recognised in accordance with the previous accounting policies less amortisation and impairment losses up to 1 January 2004. Reference is made to the section 'Business combinations'. The carrying amount of goodwill is allocated to cash-generating units at the date of acquisition. Cash-generating units are determined in accordance with the legal structure (the individual branch) and goodwill is tested for impairment at the end of the financial year. In connection with intra-group business combinations, existing goodwill is allocated to the new cash-generating unit, in which the activities creating the goodwill are included.

The carrying amount of goodwill is tested for impairment together with all other assets in the cash-generating unit to which goodwill has been allocated and is written down to the recoverable amount through the income statement if the carrying amount is higher.

Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

Impairment losses on goodwill are not reversed.

Development projects
Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities in the Company can be demonstrated, and where the intention is to produce or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

Costs include salaries, materials and services attributable to the Company's development activities.

All other costs associated with developing or maintaining computer software are recognised in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years, but can be five to seven years. Development projects in progress are measured at cost less any impairment losses.

The Company's development activities include the development of IT programmes and platforms as well as major strategic efforts within insurance systems.

Other intangible assets
Customer lists acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment losses. The amortisation period for customer lists is five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired computer software licences are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years.

Impairment of development projects and other intangible assets
Impairment losses on development projects and other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates underlying the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Property and equipment
Group occupied properties
Group occupied properties are properties used by the Company for its own operations. On initial recognition, Group occupied properties are measured at cost. Group occupied properties are subsequently measured at revalued amount, equal to the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation is made on a continuous

Notes to the financial statements

basis to ensure that the carrying amount does not differ significantly from the value that would be determined by using the fair value at the balance sheet date.

Any increases in the carrying amount arising from the revaluation of Group occupied properties are recognised directly in equity as part of the asset revaluation reserve, unless the increase corresponds to any decrease in value previously recognised in the income statement. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve directly in equity, whereas other decreases are recognised in the income statement.

Valuations used to determine the fair value are primarily carried out by independent external valuers with the necessary professional knowledge about each property category and the area in which the property is located.

Subsequent costs are included in the carrying amount when it is probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

Depreciation is charged to the income statement on a systematic basis over the estimated useful life of the asset. Depreciation is calculated on the basis of the revalued amount of the property less the expected residual value of the property at the end of its useful life. The depreciation period is usually 30 years. The properties' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

At 31 December 2009, the Group occupied properties of Codan Forsikring A/S consisted of an owner-occupied flat in Oslo.

Equipment
Equipment is measured at cost less accumulated depreciation and impairment losses.

Cost includes the acquisition costs and costs directly related to the acquisition until the time when the asset is ready for use. Subsequent costs are included in the carrying amount when it is probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

The basis of depreciation is the cost less the residual value and any impairment losses, and depreciation is charged on a straight-line basis over the estimated useful lives of the assets, which are mainly in the range from four to ten years. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on assets disposed of or scrapped are determined by comparing proceeds with the carrying amount. Gains and losses are recognised in the income statement.

Impairment of intangible assets and property and equipment
Goodwill and development projects in progress are tested for impairment in connection with the Annual Report and during the year, if there is any indication of impairment. The carrying amount of other intangible assets and property and equipment is reviewed at least annually to determine whether there is any indication of impairment. If there are indications of impairment, the carrying amount is written down to the estimated recoverable amount of the asset if this is lower than the carrying amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and the expected value in use.

Investments in Group entities
Investments in subsidiaries are measured according to the equity method, and this means that the value is equal to the proportion of equity in the entities which corresponds to the ownership interest and is calculated in accordance with the accounting policies applied by Codan Forsikring A/S.

The net profits of subsidiaries are included in the Parent Company income statement for the same financial year. The net profits of subsidiaries are transferred to the reserve for net revaluation according to the equity method under equity. This reserve may not be used for dividend or distribution. The reserve in the Parent Company is reduced by dividend payments from subsidiaries.

Other financial assets
Financial assets are measured at fair value and value adjustments are included in the income statement. The financial assets are controlled and assessed by the Company’s Investment Committee based on fair value.

The fair value of listed securities is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

For securities that are not listed on a stock exchange, or for which no market price exists which reflects the fair value of the asset, the fair value is determined using valuation techniques, the purpose of which is to determine the transaction price which would result from arm's length transactions between independent parties at the date of measurement. These techniques include the use of similar recent arm's length transactions, reference to other instruments that are substantially the same and a discounted cash flow analysis. All value adjustments of financial assets are recognised in the income statement as value adjustments.

Currency translation adjustments are recognised directly in the income statement.

Notes to the financial statements

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Receivables
Receivables, including deposits with ceding undertakings, are recognised at fair value and subsequently measured at amortised cost using the effective interest method, and this usually corresponds to the nominal value in respect of short-term non-interest-bearing receivables and floating rate receivables.

An estimated provision for expected losses is recognised in the income statement when there is a clear indication that the asset is impaired. The recognised provision is measured as the difference between the asset's carrying amount and a possible lower recoverable amount.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks as well as securities with a maturity of less than three months at the date of acquisition which are readily convertible into cash and which are subject to insignificant risks of changes in value.

Accruals and deferred income
Accruals and deferred income are measured at cost, equivalent to the measurement made on initial recognition.

Equity and liabilities
Equity
Share capital
Shares in Codan Forsikring A/S are recognised at nominal value.

Share premium account
The share premium account comprises amounts paid as premium on subscription for shares less costs arising from issues carried through.

Revaluation reserve
The revaluation reserve includes gains arising from the revaluation of property and equipment at fair value. The reserve will be dissolved in the event of any reversal of revaluations made or in the event of disposal of the individual assets.

Contingency funds
Contingency funds are separate reserves within equity, which, until 1989, were set aside to strengthen the capital position and which were subject to tax relief. Contingency funds may only be used to strengthen the technical provisions or otherwise benefit the policyholders, always subject to the approval of the Danish Financial Supervisory Authority.

Translation reserve
The translation reserve comprises exchange differences arising from the translation of the equity of foreign subsidiaries at the beginning of the year at the exchange rates prevailing at the balance sheet date and from the translation of income statements from the exchange rate prevailing at the date of transaction into the exchange rates prevailing at the balance sheet date.

The reserve also comprises foreign currency translation of intangible assets relating to acquisitions.

The translation reserve has been determined in accordance with the guidelines issued by the Danish Financial Supervisory Authority as from 1 January 2004.

Currency translation adjustments are recognised in the income statement if the foreign entity is dissolved or disposed of.

Equalisation reserve
The equalisation reserve is a separate item under equity calculated in accordance with the provisions of the Danish Financial Supervisory Authority's Executive Order on Equalisation Reserves for Credit and Guarantee Insurance. Any adjustments made to the equalisation reserve are not shown in the income statement.

Proposed dividend
Proposed dividend is shown as a separate item under equity. Dividend distribution is recognised as a liability at the time of approval by the Annual General Meeting (time of declaration).

Payables and liabilities, general information
Amounts owed to credit institutions are measured at fair value. The fair value of amounts owed to credit institutions usually corresponds to the nominal value. Other financial liabilities are measured at amortised cost, and this usually corresponds to the nominal value in respect of short-term non-interest-bearing receivables.

The capitalised residual lease obligation in respect of finance leases is also recognised as liabilities.

Pension obligations

Notes to the financial statements

Note

The Company has entered into pension agreements and similar agreements with the majority of its employees.

Contributions to defined contribution schemes under which fixed contributions are paid to independent pension funds on an ongoing basis are recognised in the income statement in the period to which they relate and any contributions payable are recognised in the balance sheet as other payables. When contributions to defined contribution schemes have been paid, the Company has no further obligations to present or former employees.

For defined benefit schemes, an annual actuarial calculation (Projected Unit Credit Method) is made of the present value of future benefits payable under the defined benefit scheme. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Company. The actuarial present value less the fair value of any scheme assets is recognised in the balance sheet under pension obligations.

Current service costs are recognised in the income statement based on actuarial estimates and financial expenses. Any difference between the expected development in pension scheme assets and liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised directly in equity.

If changes in benefits relating to employee services in current and prior years result in changes in the actuarial present value, the changes are recognised as past service costs. Past service costs are recognised immediately, provided that employees have already earned the changed benefits. Otherwise, the past service costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension scheme constitutes a net asset, the asset is only recognised if it offsets future refunds from the scheme or will lead to reduced future payments to the scheme.

The Company's obligations in respect of defined benefit schemes constitute obligations towards the surviving relatives of deceased employees.

Provisions
Provisions for jubilee bonuses and payments on retirement are gradually being accumulated over the period of employment. The liability is calculated by taking into account expected staff reductions based on the Company's experience.

Provisions are measured at the Management's best estimate of the expenditure required to settle the obligation.

On measurement of provisions, the expenditure required to settle the obligation is discounted if the amounts fall due more than 12 months after the period in which they are earned. A pre-tax discount factor is used that reflects the current market interest rate level and the risks specific to the obligation. Changes in present values during the financial year are recognised as investment return.

Deposits received from reinsurers
Deposits received from reinsurers include amounts received from reinsurers which have been deposited to cover the liabilities of reinsurers towards the Company. Deposits received from reinsurers are measured at amortised cost and this usually corresponds to the nominal value.

Accruals and deferred income
Accruals and deferred income are measured at cost, equivalent to the measurement made on initial recognition.

Methods for calculating financial ratios
The financial ratios have been calculated in accordance with the Danish Financial Supervisory Authority's Executive Order on the Presentation of Financial Statements. The ratios included in the five year summary have been calculated as follows:

Combined ratio =

Claims ratio calculated as

Gross claims incurred x 100Gross earned premiums less bonuses and rebates

to which a percentage is added or deducted, and this result shows outwards business in proportion to gross earned premiums less bonuses and rebates

plus the expense ratio calculated as

Gross operating expenses x 100Earned premiums less bonuses and rebates

Operating ratio =

Notes to the financial statements

Note

Calculated as the combined ratio, but based on the claims ratio, the expense ratio and the net reinsurance ratio where the allocated investment return has been added to earned premiums in the denominator.

Relative run-off result =

The run-off result in relation to the corresponding opening provision.

Return on equity in % =
Profit for the year x 100Average equity

Solvency ratio=
Capital base less deductions x 100Capital requirement

Note

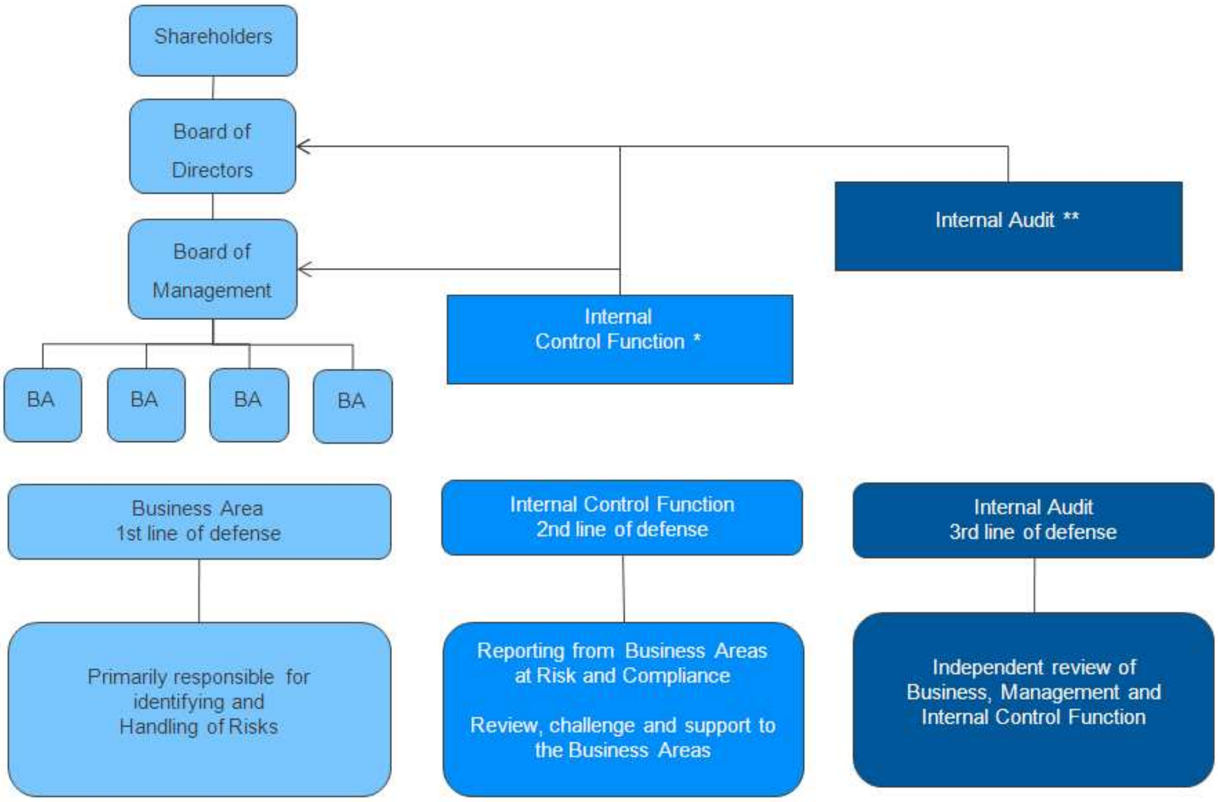
2 Risk information

Risk management and control
Being an insurer and risk taker, it is important for Codan Forsikring to take on risks in a controlled manner. This requires a structured approach to risk management. Risk management includes all matters which may affect the Company's current and future operation and development. Part of the risk management activities are undertaken by joint functions in the Codan Group.

Codan has established a separate Enterprise Risk Management function (ERM). The purpose of the ERM function is to increase focus on an independent assessment and monitoring of the risk profile of the Codan Group in a Nordic perspective, both in respect of the individual legal insurance entities and the Group. The risk development is reviewed on a quarterly basis by a Risk Management Forum established by the Board of Directors. The ERM function then reports its assessment of the current risk profile to the Boards of Directors of the Companies.

In 2009, the ERM function together with the financial compliance function and the legislative compliance function were integrated into an internal control function reporting directly to the Chief Executive Officer. However, the function does not form a part of the Nordic Executive Team, thereby ensuring its independence of the business. The internal control function also reports directly to the Boards of Directors of the Companies with regard to the assessment of the risk profile of the Codan Group and the legal insurance entities.

The Board of Directors is responsible for laying down risk limits and a risk policy. Risk management has been incorporated into the organisation and is undertaken centrally by the ERM function and decentrally by the respective business divisions.



(*) Independent control functions include Risk, Compliance and FRC (Financial Risk Control). The functions report to the Board of Directors.
The Head of the Internal Control Unit reports directly to the Board of Management.
(**) Internal Audit reports to the Board of Management and is not involved in the operation of the Company.

The control functions are independent of the management of the Company. Consequently, the company's control functions and Internal Audit are not authorised to make any decisions regarding the management of the Company.

The business constitutes the first line of defence. The control functions of Codan Forsikring constitute the second line of defence, and Internal Audit the third line of defence.

The Board of Management has established the following committees: The Investment Committee, the Reserve Committee, the Transaction Committee, the Risk Management Forum and the Accounting Committee. The purpose of these Committees is to enable the Board of Management and other decision makers to base their decisions on well prepared and sufficiently detailed material. All Committees are advisory and report to the Board of Management.

Notes to the financial statements

Note

The final responsibility for risk management and internal control rests with the Boards of Management and Directors. In the past years, work has been ongoing to streamline a Nordic process for identifying, assessing and monitoring the selected risks. The individual division managements are responsible for the risk management activities of the respective divisions. The work to identify processes and risks is supported by the centralised operational risk management function, and the monitoring of this work is undertaken by the risk control function. The Risk Management Forum meets at least once a month to assess the overall risk profile of the Company and to ensure that the Company does not exceed the risk mandates laid down by the Board of Directors.

The risk control function is responsible for analysing and on a quarterly basis informing the Board of Directors of the Company's risks. Codan Forsikring also has a Compliance function which supports the business in its compliance with applicable rules and at the same time monitors compliance with applicable rules. The compliance function also reports to the Board of Directors on a quarterly basis.

Internal Audit performs independent assessments of the risk management function on a ongoing basis and tests the effectiveness of controls. Internal Audit also reports to the Board of Directors on a quarterly basis.

Risks in Codan Forsikring
Operational risk handling is divided into:

A. Business risk
B. Market risk
C. Credit risk
D. Operational risk

The Board of Directors is responsible for ensuring the soundness of the Company with regard to capital requirements, liquidity, financial position and business practice.

A. Business risk
Codan Forsikring focuses on growth giving top priority to profitable premium growth. To support this goal, Codan Forsikring has formulated an underwriting policy defining the insurance risks Codan Forsikring wishes to accept and how to price these risks based on experience and capital tied up.

The risk concerning the acceptance of risks and pricing is that the calculated premium and other income from a policy do not reflect the actual claims and administrative costs incurred in respect of that policy. A number of methods are available for reducing the risk in connection with the acceptance of risks and pricing. One of the options available to Codan Forsikring is portfolio diversification, which reduces the insurance risk.

The Company's most important tool for managing the insurance risk is the business plan, which is formulated once a year and approved by the Board of Directors. The business plan sets out which insurance classes the Company wishes to underwrite, and the geographical areas and sectors in which Codan Forsikring is willing to write insurance. The plan also contains quantitative limits for the maximum acceptable exposure in different risk areas. The business plan is implemented in the organisation through technical guidance to the Company's tied agents. The guidelines determine the insurance classes, sizes, geographical areas and sectors in which Codan Forsikring is willing to accept risks, thereby ensuring an appropriate distribution of the portfolio. In its Risk Acceptance Policy, the Board of Directors also specifies the technical basis for calculating premium rates. The Board of Directors then receives information compared with a benchmark determined by the Board of Directors to ensure that an adequate rate level is maintained for the portfolio.

Most insurance policies are effected for periods of twelve months, enabling Codan Forsikring to modify the terms of the policy in connection with the annual renewal. Codan Forsikring monitors insurance risks on an ongoing basis, assessing these risks in relation to underwriting, reinsurance and capital requirement policies. As a part of the Risk Management Framework of Codan Forsikring, the portfolio manager must perform a quarterly evaluation against a standard set of key figures. The results are reported to the Board of Directors by the internal control unit to highlight portfolio developments, to point out focus areas and to report on plans to eliminate risks.

Risk concentrations
The Company's insurance risks are geographically centered in Denmark, from where the majority of the premium income is derived. However, Codan Forsikring also has branches in Norway, Sweden, Finland and Estonia. Note 4 details the geographical distribution of premiums.

Reinsurance can be considered as a partial alternative to equity. Codan Forsikring uses reinsurance to hedge the risk of single large losses or major claims impairing the capital base.

Non-catastrophe claims
The Group's reinsurance programme for 2009 is an excess of loss programme with a maximum retention of DKK 75m for any one event in respect of building and contents insurance. The retention for liability and accident claims is DKK 25m, and DKK 40m for motor third party liability claims. All reinsurance contracts are Nordic, thereby cutting costs.

Storm and catastrophe claims

Notes to the financial statements

Note

As in previous years, Codan Forsikring has taken out reinsurance cover together with other companies in the RSA Group. In respect of natural disaster claims, reinsurance cover for a once-in-200-years event has been effected, except for a total RSA Group retention of GBP 10m.

Codan Forsikring offers its customers insurance cover for terrorist attacks, and the risk is reinsured on a per risk basis. However, this is not normal practice due to limitations in the reinsurance markets. Consequently, full terrorism cover cannot be obtained for all policies. In Denmark, Codan offers a limit of liability for terrorist attacks of DKK 500m. However, a higher limit of liability may be offered occasionally.

Reinsurance contracts are subject to a certain credit risk. This is described in more detail in the section on credit risk below. The creditworthiness of reinsurers is monitored on an ongoing basis to ensure the efficiency of the selected reinsurance cover.

Reserve risk
The reserve risk, i.e. whether the technical provisions are adequate to cover claims incurred, is hedged primarily through actuarial models and careful continuous monitoring of the reported claims.

The determination of provisions for future claims payments is based on Codan Forsikring's experience from previous and similar claims. Codan Forsikring applies a number of different statistical methods and analyses to identify the likely outcome of future claims payments.

These methods and analyses are subject to the uncertainty relating to the assessment of future payments with regard to both the size and the time of payment.

The claims trend and level of provisions are monitored continuously and form the basis for the reporting on reserves. The Reserve Committee studies the method for setting aside reserves and monitors the trend in provisions continuously. The Reserve Committee, which is an advisory body, reports to the Board of Management and meets at least once every four months.

Risk reduction is also implemented through reinsurance. The insurance business is intrinsically subject to major variations. Ceded reinsurance limits the financial impact of major claims, reducing the risk of the insurance portfolio and safeguarding the equity of Codan Forsikring.

Reinsurance is purchased in part as a percentage of the overall exposure of the Company in various areas and in part as a maximum of the total risk in an area. Reinsurance may also be purchased on a facultative basis in respect of large individual contracts. Codan Forsikring's costs for any one insured event, retention and the maximum liability of the reinsurer for any one insured event vary from one product to another. This level is revised annually by the Board of Directors to ensure continued adequacy.

General insurance

The insurance risks to which Codan Forsikring is exposed relate directly to the risks covered by the effected insurance policies. In the insurance industry, insurance risks are managed and monitored by insurance classes.

B. Market risk
The investment policy of Codan Forsikring details criteria for limiting and managing risks relating to individual investments and for the concentration of risks. The Investment Committee monitors compliance with the investment strategy on an ongoing basis. The Committee is an advisory body which reports to the Board of Management. The Committee meets on a quarterly basis and when required by circumstances. The central risk function receives risk reports on a quarterly basis. These reports are reviewed and discussed in the Risk Management Forum, an advisory committee reporting to the Board of Management.

A significant part of Codan Forsikring's financial activities consist of investment in assets which are recorded at market value on an ongoing basis.
As a result, the equity and earnings of Codan Forsikring are impacted by regional and global trends in stock and bond markets. In addition, economic trends and changes in interest rate levels may impact the value of unlisted securities and real property. Codan Forsikring monitors market risks on an ongoing basis by monitoring e.g. liquidity, interest rate, foreign exchange and share price risks.

Liquidity and interest rate risks
The majority of the investments of Codan Forsikring are placed in liquid listed bonds. Such bonds can be sold at market value in the event that a need for liquid funds arises at short notice.

The Company's liquidity exposure in relation to the remaining life of financial assets and liabilities is detailed in the table below. A longer maturity of assets would increase the interest rate risk, which could result in a decrease in the market value of assets if the market rate increases.

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK '000						
2009	**< 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**Total**
Danish government bonds	1,113,580	848,701	-	491,130	-	950,685	**3,404,096**
Danish fixed rate mortgage bonds	50,850	867,469	805,057	203,514	248,946	1,910,254	**4,086,090**
Danish floating rate mortgage bonds	-	-	-	-	-	1,446,232	**1,446,232**
Other Danish bonds	-	658,172	-	-	-	-	**658,172**
Other European bonds	-	251,873	94,513	224,574	112,360	243,262	**926,582**
US bonds	103,899	50,912	141,470	-	-	-	**296,281**
Other loans, deposits with credit institutions, call deposits, etc.	424,262	-	-	-	-	-	**424,262**
Receivables from Group entities	178,309	-	-	-	-	1,005,365	**1,183,674**
Financial assets	**1,870,900**	**2,677,127**	**1,041,040**	**919,218**	**361,306**	**5,555,798**	**12,425,389**
Amounts owed to Group entities	86,345	-	-	-	-	-	**86,345**
Lease payables	20,793	16,332	5,758	-	-	-	**42,883**
Financial liabilities	**107,138**	**16,332**	**5,758**	**-**	**-**	**-**	**129,228**
2008	**< 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**Total**
Danish government bonds	1,400,824	1,504,743	1,505,050	-	490,275	808,398	**5,709,290**
Danish fixed rate mortgage bonds	78,951	75,066	621,389	25,031	-	1,397,951	**2,198,388**
Danish floating rate mortgage bonds	-	-	-	-	-	2,050,161	**2,050,161**
Other European bonds	63,157	-	189,759	72,245	83,354	19,805	**428,320**
US bonds	108,481	114,703	54,133	39,205	-	-	**316,522**
Other loans, deposits with credit institutions, call deposits, etc.	650,535	-	-	-	-	-	**650,535**
Receivables from Group entities	1,076,246	-	-	-	-	-	**1,076,246**
Financial assets	**3,378,194**	**1,694,512**	**2,370,331**	**136,481**	**573,629**	**4,276,315**	**12,429,462**
Amounts owed to Group entities	87,622	-	-	-	-	-	**87,622**
Lease payables	14,006	13,032	3,298	-	-	-	**30,336**
Financial liabilities	**101,628**	**13,032**	**3,298**	**-**	**-**	**-**	**117,958**

The table below shows the effective interest rate and duration of financial assets and liabilities at 31 December.

	Effective interest rates		**Duration**	
	2009	**2008**	**2009**	**2008**
Financial assets				
Danish government bonds	2.1	2.7	2.5	2.4
Danish mortgage bonds	3.2	5.3	2.9	2.6
US bonds	3.4	0.5	3.4	1.5
Other loans	11.5	11.5		
Deposits with credit institutions, call deposits, etc.	2.3	4.3		
Receivables from Group entities	2.3	4.6		
Financial liabilities				
Amounts owed to Group entities	2.3	4.6		
Lease payables	2.5	5.3		

Notes to the financial statements

Note

Foreign exchange risk
Foreign exchange risk arises when the size of the Company's assets in a foreign currency does not correspond to its liabilities in the same currency.

The net exposure of Codan Forsikring to foreign exchange risk is marginal, as the Company's strategy for managing foreign exchange risk is to ensure that the assets match the currency of the corresponding liabilities.

The Company's most significant foreign exchange exposures are detailed in the table below stated in DKK '000.

A part of the Company's marine business is handled by its branches in Sweden and Finland. The branches have an underlying foreign exchange position in USD of a negative DKK 20.7m. The branches are shown below under SEK and EUR in the line Net assets in branches.

Foreign exchange risk

DKK '000	**2009**					
	USD	**SEK**	**GBP**	**EUR**	**NOK**	**EEK**
Net assets in branches	-	6,529	-	-7,284	-135,624	-57,976
Financial assets						
Bonds	296,282	-	-	522,836	371,842	-
Other loans, deposits with credit institutions, call deposits, etc.	3,823	4,808	231	11,799	2,138	-
Intangible assets	-	-	-	78,074	-	-
Receivables from policyholders, brokers and insurance companies	66,503	102	-	20,246	19,089	134
Receivables from Group entities	-	30	-	38,291	-	302
Other receivables	3	-	-	668	-	-
Deferred tax assets	-	-	-	-	-	-
Prepayments and accrued income	4,515	-	-	15,582	12,993	-
Reinsurers' share of insurance contract provisions	14,395	2,147	605	64,315	-	-
Financial liabilities						
Payables arising from direct insurance and reinsurance contracts	-	-360	-797	-	-	-
Amounts owed to credit institutions	-	-	-	-	-	-
Amounts owed to Group entities	-33,735	-44,813	-3,918	-65,969	-365,829	-
Other payables	-4,110	-1,417	-29	-698	-647	-
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Insurance liabilities	-272,299	-1,646	-31,488	-61,621	-52,235	-135
Foreign exchange risk	**75,377**	**-34,620**	**-35,396**	**616,239**	**-148,273**	**-57,675**

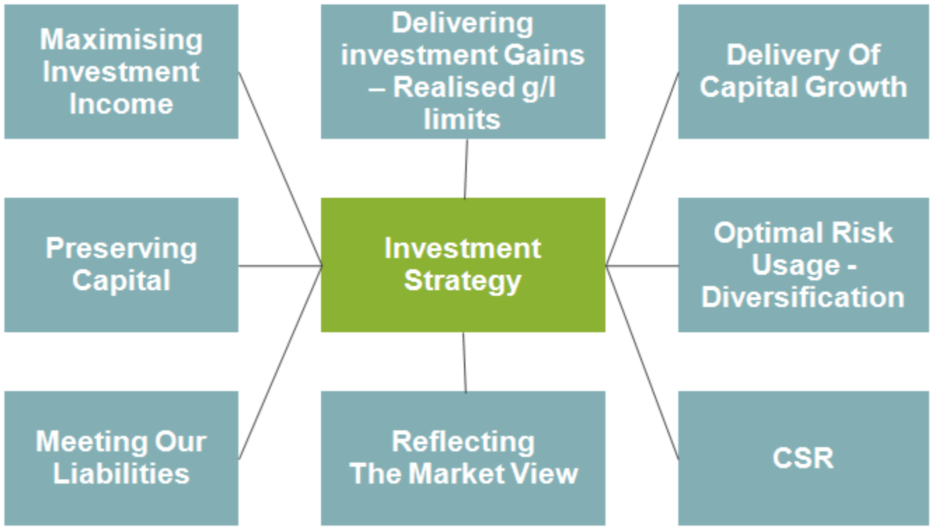
Notes to the financial statements

Note

DKK '000	2008					
	USD	SEK	GBP	EUR	NOK	EEK
Net assets in branches	-	-4,712	-	-11,087	-41,062	-40,844
Financial assets						
Bonds	316,521	-	-	178,204	250,116	-
Other loans, deposits with credit institutions, call deposits, etc.	35,248	2,310	1,236	5,913	10,296	-
Intangible assets	-	-	-	83,007	-	-
Receivables from policyholders, brokers and insurance companies	139,980	-	-	15,173	3,346	158
Receivables from Group entities	-	38	-	565	-	82
Other receivables	3	-	-	669	-	-
Deferred tax assets	-	-	-	-	-	-
Prepayments and accrued income	3,379	-	-	4,567	8,691	-
Reinsurers' share of insurance contract provisions	19,986	4,298	12	101,089	-	-
Financial liabilities						
Payables arising from direct insurance and reinsurance contracts	-	-	-92,719	-12,911	-	-
Amounts owed to credit institutions	-	-	-	-	-	-
Amounts owed to Group entities	-5,686	-42,199	-	-49,449	-262,227	-
Other payables	-5,107	-7,927	-134	-1,841	-	-
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Insurance liabilities	-357,860	-25,000	-38,526	-87,910	-22,728	-473
Foreign exchange risk	**146,464**	**-73,192**	**-130,131**	**225,989**	**-53,568**	**-41,077**

Share price risk
Codan Forsikring has chosen to place a small share of its investments in equity investments, thereby minimising the Company’s share price risk.

Placement risk
The Company's investment strategy is balanced to achieve a number of goals and to ensure compliance with laws and regulations.



By means of detailed internal and external portfolio management and control, the aim is to maximise the risk-weighted return while at the same time ensuring:

- Legislative and risk compliance
    - Ensuring that investments are in compliance with legislative requirements regarding placement;
    - Ensuring full compliance with the investment policy laid down by the Board of Directors;

Notes to the financial statements

Note

  - Ensuring that the exposure of the investment portfolio is within the limits;
- Operational efficiency
  - Ensuring that portfolio managers are aware of the legislative requirements on placement;
  - Ensuring adequate management resources and knowledge of legislation;
  - Cost control.

Placement strategy
Codan Forsikring has chosen an outsourcing strategy for the management of its investment assets.

External portfolio managers have been approved by the Board of Directors, and their investment mandates are covered by the investment policy of Codan Forsikring.

In 2009, the primary part of the investment portfolio was managed by SEB. In 2010, both SEB and Deutsche Bank will be used as managers of the portfolio.

C. Credit risk
Codan Forsikring has a policy for receivables from policyholders and reinsurers. The trend in receivables from policyholders is monitored on an ongoing basis and monthly reports are submitted to the Company's Management in accordance with Company policy. As stated in this policy, these receivables are subject to fixed reserving procedures based on age. Total receivables from policyholders follow the seasonal payment profile of premiums and were at the same level at 31 December 2009 as at 31 December 2008. This level does not give rise to concern.

In accordance with Company policy, reinsurance contracts are only concluded with selected sound reinsurers in order to reduce the credit risk. The credit risk in respect of reinsurers is monitored continuously. For a reinsurer to be used, a rating of at least A- (Standard & Poor's) or the equivalent is required. This minimum standard is set out in the guidelines of the Board of Directors, and quarterly reports are submitted to the Board of Directors for the purpose of monitoring and evaluating the exposure.

Credit risk of investments
The investment portfolio of Codan Forsikring primarily consists of government and mortgage bonds with a minimum rating of AA.
In the table below, the bond portfolio is shown by ratings

Rating	**DKK '000**	**2009**	**2008**
AAA		8,762,299	9,393,892
AA		1,245,511	1,126,038
A		732,628	138,647
BBB		77,015	44,104
Bonds		**10,817,453**	**10,702,681**

The maximum exposure to credit risk is shown in the table below.

Maximum credit risk	**DKK '000**	**2009**	**2008**
Danish government bonds		3,404,096	5,709,290
Danish fixed rate mortgage bonds		4,086,090	2,198,388
Danish floating rate mortgage bonds		1,446,232	2,050,161
Other Danish bonds		658,172	-
Other European bonds		926,582	428,320
US bonds		296,281	316,522
Other loans, deposits with credit institutions and call deposits, etc.		424,262	650,535
Deposits with ceding undertakings		992	1,498
Reinsurers' share of provision for unearned premiums		46,858	28,376
Reinsurers' share of provision for claims		793,721	865,456
Receivables from policyholders		679,080	758,090
Receivables from brokers		5,281	10,756
Receivables from insurance companies		102,857	137,410
Receivables from Group entities		1,183,674	1,076,246
Other receivables		58,178	63,810
Accrued interest and rent		196,050	182,549
Maximum credit risk		**14,308,406**	**14,477,407**

Notes to the financial statements

Note

D. Operational risk

Operational risks may arise as a result of errors or omissions in administrative procedures or as a result of external events. Errors and omissions may lead to unexpected financial losses or a loss of confidence in the Company. Such errors and omissions may be caused by factors such as insufficient internal control or inadequate systems or equipment. Operational risk includes the risk of irregularities, both externally and internally. In order to minimise this risk, the Company has implemented continuous internal control.

Codan Forsikring focuses on maintaining good internal control by means of e.g. adequate procedures and instructions, well defined allocation of work and responsibilities among staff, IT support with system reconciliation, systems for control and authorisation, internal information and reporting processes to meet Management requirements regarding information on the Company's risk exposure, etc. These elements may be described as control environment components.

The Company's control environment is illustrated by the above-mentioned model with three lines of defence.

The responsibility for managing risks rests with the business and the Management (first line of defence). The control function unit (second line of defence) and Internal Audit (third line of defence) support, evaluate and analyse the risk activities controlled by the Management in the individual business units.

The Company has documented processes, controls and guidelines for all of the major business processes. Codan Forsikring continuously registers the current trend in the evaluation, handling and reporting of risks of the business units. This information is submitted to the Risk Management Forum on a regular basis and provides the basis for assigning costs and net working capital to this type of risk in connection with the development and maintenance of capital models.

Sensitivity analysis

Codan Forsikring applies a number of methods for assessing sensitivity and stress tests the impact on the Company's results and financial position under both normal and abnormal market conditions, using a risk management tool. The table below shows the impact of different factors on the Company's earnings and consequently also its equity.

Impact on equity

Occurrence:	**DKK '000**	**2009**	**2008**
0.7 percentage point increase in interest rates		-26,585	-172,131
0.7 percentage point decrease in interest rates		-13,790	135,305
12 per cent fall in share prices		-625	-497
8 per cent fall in property prices		-5,909	-507
Foreign exchange risk (Value-at-risk 99)		-11,577	-10,820
Counterparty losses of 8 per cent (credit and counterparty risk)		-168,041	-116,870

Capital and solvency

Codan Forsikring calculates and follows up on both external and internal capital requirements. External capital requirements include accounting equity, capital base and solvency requirements as set out in the rules of the Danish Financial Supervisory Authority. Likewise, the external capital requirements are stress tested using amongst others the traffic light model of the Danish Financial Supervisory Authority. Finally, the Company's Individual Solvency is calculated in accordance with the guidelines of the Danish Financial Supervisory Authority. The internal capital requirements include economic capital, which is calculated by applying internal models based on the internal rules of the RSA Group. Capital is also calculated in accordance with the rules of the credit rating companies.

The capital is the difference between the relevant assets and the relevant liabilities. Which assets and liabilities are relevant is determined on the basis of applicable rules. The capital base, calculated in accordance with the rules of the Danish Financial Supervisory Authority, is set out in Note 21. Economic capital assessment is forward-looking and takes into account future cash flows. As a result, the assets and liabilities of the balance sheet are not necessarily directly linked to this assessment. Calculation of the rating capital is less important, as Codan Forsikring to a wide extent depends on the rating obtained by the RSA Group.

The Board of Directors has established two different warning levels for the size of the capital. If the red or amber levels are reached, the Board of Directors must be notified immediately. The red level is based on an assessment of the capital strength required for a general insurance company according to the Danish Financial Supervisory Authority. The amber level is intended for flexibility to ensure that the red level is never reached and is based on an overall risk assessment.

The instructions of the Board of Directors regarding registration of assets for covering technical provisions order an excess cover. In addition, a required excess cover based on the risks of the current technical provisions is calculated monthly. A business process is in place for the continuous monitoring of the above-mentioned capital measurement and an advisory Capital Management Committee has been established. A Capital Scorecard is used as a tool in this process.

All capital requirements are currently met for all capital categories. The coming Solvency II rules will result in new requirements. Codan Forsikring follows these rules closely, but the content of the rules has not yet been established.

Notes to the financial statements

Note

Dividend potential

When the distribution of profits is determined, the above-mentioned risks and capital position form a part of the determination of whether dividend is to be distributed.

Key figures and financial ratios

Note **DKK m**

3 **Key figures and financial ratios**

Five year summary	**2009**	**2008**	**2007**	**2006**	**2005**
Gross earned premiums	6,932	6,828	6,033	5,436	5,218
Gross claims incurred	-5,148	-5,054	-4,485	-2,441	-4,008
Total operating expenses	-1,396	-1,355	-1,242	-1,044	-1,026
Profit/loss from reinsurance	-296	-237	132	-335	124
Balance on the technical account	72	318	621	1,686	362
Investment return after technical interest	475	240	155	180	1
Profit for the year	433	355	585	1,387	259
Run-off gain/loss	69	-95	187	1,049	146
Total technical provisions	10,757	10,323	9,692	8,579	9,445
Total insurance assets	841	894	1,282	1,017	1,425
Total equity	3,861	4,291	3,840	4,446	3,052
Total assets	15,673	15,490	15,176	15,108	13,606
Financial ratios					
Gross claims ratio	75.2	74.6	75.4	45.5	77.8
Gross expense ratio	20.4	20.0	20.9	19.5	19.9
Combined ratio	99.9	98.1	94.1	71.2	95.3
Operating ratio	99.0	95.4	90.0	69.4	93.1
Relative run-off result	1.0	-1.4	3.2	16.0	2.5
Return on equity in %	10.6	8.7	14.3	37.0	6.8
Solvency ratio	244	242	323	307	309

Notes to the financial statements

Note	DKK '000	2009	2008
4	**Gross earned premiums**		
	Gross premiums written	6,919,887	7,055,211
	Change in the provision for unearned premiums, gross	12,214	-227,495
	Gross earned premiums	**6,932,101**	**6,827,716**
	Gross earned premiums from direct insurance by geographical location of the risk:		
	Denmark	5,599,915	5,632,998
	Other EU countries	357,496	370,316
	Other countries	905,271	738,464
	Direct insurance	6,862,682	6,741,778
	Gross earned premiums from indirect insurance:		
	General insurance	69,419	85,938
	Indirect insurance	69,419	85,938
	Gross earned premiums	**6,932,101**	**6,827,716**
5	**Technical interest, net of reinsurance**		
	Yield calculated on technical provisions	288,094	462,909
	Interest on deposits with ceding undertakings	18	18
	Technical interest transferred to general insurance	**288,112**	**462,927**
	Increase in technical provisions attributable to discounting	-223,679	-270,790
	Technical interest, net of reinsurance	**64,433**	**192,137**
6	**Claims incurred, net of reinsurance**		
	Claims incurred include the following run-off results:		
	Run-off gain/loss, gross	79,492	-114,099
	Run-off gain, outwards business	-10,728	19,110
	Run-off gain/loss, net of reinsurance	**68,764**	**-94,989**

Notes to the financial statements

Note	DKK '000	2009	2008
7	**Net operating expenses**		
	Staff costs:		
	Wages and salaries	-922,299	-834,469
	Defined contribution schemes	-131,555	-124,037
	Other social security costs	-15,809	-10,762
	Payroll tax	-89,755	-86,129
	Share-based payment costs	-14,984	-9,828
	Other staff costs	-37,209	-33,301
		-1,211,611	-1,098,526
	Commissions, direct insurance	-403,452	-329,869
	Depreciation on property and equipment	-32,603	-29,950
	Amortisation on intangible assets	-31,344	-24,694
	Other acquisition costs and administrative expenses	-446,552	-478,247
	Reimbursements from Group entities	239,128	196,662
	Development costs capitalised as intangible assets	78,587	54,531
	Claims handling costs transferred to claims incurred	392,925	339,724
	Transferred to investment management expenses	18,638	15,634
	Reinsurance commissions and profit participation	16,661	10,979
	Net operating expenses	**-1,379,623**	**-1,343,756**
	Total payroll costs, including commissions to tied agents, in respect of direct insurance	-1,069,787	-949,197

Converted into full-time employees, the average number of persons employed during the financial year was 1550 (1583 persons in 2008).

	2009	2008
Remuneration of current and former members of the Board of Directors and Board of Management of Codan Forsikring A/S:		
Remuneration of the Board of Directors	225	-
Remuneration of the Board of Management:		
Wages and salaries	-5,489	-5,438
Bonuses	-2,344	-2,918
Pension benefits	-1,108	-990
Share-based payments	-1,288	-1,256
Remuneration of the Board of Management	**-10,229**	**-10,602**

Remuneration to the Board of Management is allocated between Codan A/S and its subsidiaries. The specification above contains the total remuneration.

A few unfunded pension commitments were made to former members of the Board of Directors and the Board of Management of Codan Forsikring A/S, cf. Note 20. These pension commitments are not included in the above specification.

	2009	2008
Remuneration of the Company's auditor:		
Audit:		
Deloitte	-3,964	-4,358
Remuneration, audit	-3,964	-4,358
Advisory services and assistance:		
Deloitte	-9,444	-4,783
Remuneration, advisory services and assistance	-9,444	-4,783
Remuneration of the Company's auditor	**-13,408**	**-9,141**

In addition to the above remuneration, costs have been paid in respect of the Companys' Internal Audit Department.

Notes to the financial statements

Note		2009	DKK '000		
8	**Balance on the technical account, general insurance**				**Motor**
	Balance on the technical account for general insurance in 2009 by line of business:	**Personal Accident**	**Health Insurance**	**Workers' Compensation**	**Third Party Liability**
	Gross premiums written	443,685	230,403	721,754	763,447
	Gross earned premiums	446,213	208,136	755,287	782,299
	Gross claims incurred	-302,936	-160,353	-644,727	-649,768
	Bonuses and rebates	-4	-3	-	-955
	Operating expenses, gross	-76,329	-42,485	-84,672	-156,532
	Profit/loss from reinsurance	-99	-1,175	-4,708	-2,646
	Technical interest, net of reinsurance	3,827	1,966	6,334	8,066
	Balance on the technical account	70,672	6,086	27,514	-19,536
	Number of claims paid	8,337	24,346	8,849	24,021
	Average claims paid in DKK	36,336	6,586	72,859	27,050
	Claims frequency	5.1%	331.5%	39.2%	8.4%
		Motor, Acciden-tal Damage, Fire and Theft	**Marine, Aviation and Cargo**	**Fire and Contents (Personal)**	**Fire and Contents (Commercial)**
	Gross premiums written	1,064,551	683,176	1,017,400	1,616,964
	Gross earned premiums	1,059,886	692,027	990,216	1,604,152
	Gross claims incurred	-761,083	-421,789	-835,694	-1,196,343
	Bonuses and rebates	-41,008	-6,109	-27,991	-6,417
	Operating expenses, gross	-240,914	-117,161	-261,745	-328,726
	Profit/loss from reinsurance	487	-110,861	-14,405	-137,144
	Technical interest, net of reinsurance	10,994	4,581	10,209	14,985
	Balance on the technical account	28,362	40,688	-139,410	-49,493
	Number of claims paid	69,426	3,871	63,239	22,033
	Average claims paid in DKK	10,963	108,961	13,215	54,298
	Claims frequency	27.1%	35.6%	16.9%	22.2%
		Liability	**Credit and Guarantee**	**Other insurance**	**Total general insurance**
	Gross premiums written	271,545	39,930	67,032	6,919,887
	Gross earned premiums	278,054	46,408	69,423	6,932,101
	Gross claims incurred	-156,662	-3,578	-15,295	-5,148,228
	Bonuses and rebates	-1,282	-	-	-83,769
	Operating expenses, gross	-60,157	-5,551	-22,012	-1,396,284
	Profit/loss from reinsurance	-18,382	136	-7,468	-296,265
	Technical interest, net of reinsurance	2,258	511	702	64,433
	Balance on the technical account	43,829	37,926	25,350	71,988
	Number of claims paid	6,999	196		231,317
	Average claims paid in DKK	22,383	18,255		22,256
	Claims frequency	13.1%	5.1%		18.1%

Gross earned premiums from non-proportional indirect general insurance amount to DKK 0.

Notes to the financial statements

Note | 2008 | DKK '000

8 **Balance on the technical account, general insurance (continued)**

Balance on the technical account for general insurance in 2008 by line of business:

	Personal Accident	**Health Insurance**	**Workers' Compensation**	**Motor Third Party Liability**
Gross premiums written	331,921	269,989	753,536	829,912
Gross earned premiums	327,067	262,953	724,542	829,339
Gross claims incurred	-219,670	-236,625	-799,166	-492,786
Bonuses and rebates	-	8,768	-	29
Operating expenses, gross	-76,180	-41,609	-78,883	-176,135
Profit/loss from reinsurance	5,616	-1,454	-1,644	-3,746
Technical interest, net of reinsurance	7,125	3,530	78,468	-3,131
Balance on the technical account	43,958	-4,437	-76,683	153,570
Number of claims paid	6,269	19,875	7,387	36,620
Average claims paid in DKK	35,041	11,906	108,185	13,457
Claims frequency	3.5%	200.4%	31.8%	11.4%

	Motor, Acciden-tal Damage, Fire and Theft	**Marine, Aviation and Cargo**	**Fire and Contents (Personal)**	**Fire and Contents (Commercial)**
Gross premiums written	1,071,707	732,848	995,315	1,650,111
Gross earned premiums	1,028,751	742,766	956,782	1,543,319
Gross claims incurred	-694,764	-468,075	-769,094	-1,201,037
Bonuses and rebates	-35,462	-3,542	-26,276	1,573
Operating expenses, gross	-244,485	-104,825	-256,822	-289,546
Profit/loss from reinsurance	-5,029	-140,098	-17,082	-13,342
Technical interest, net of reinsurance	42,271	8,853	19,301	27,238
Balance on the technical account	91,282	35,079	-93,191	68,205
Number of claims paid	74,708	4,178	58,562	20,854
Average claims paid in DKK	9,300	112,033	13,133	57,593
Claims frequency	35.6%	27.6%	16.7%	20.5%

	Liability	**Credit and Guarantee**	**Other insurance**	**Total general insurance**
Gross premiums written	280,364	52,105	87,403	7,055,211
Gross earned premiums	275,547	50,713	85,937	6,827,716
Gross claims incurred	-120,411	3,044	-55,544	-5,054,128
Bonuses and rebates	-1,011	-	-	-55,921
Operating expenses, gross	-53,235	-8,553	-24,457	-1,354,730
Profit/loss from reinsurance	-17,774	-575	-41,974	-237,102
Technical interest, net of reinsurance	4,466	2,223	1,793	192,137
Balance on the technical account	87,582	46,852	-34,245	317,972
Number of claims paid	6,863	38		235,354
Average claims paid in DKK	17,545	-80,105		21,475
Claims frequency	12.3%	1.3%		22.2%

Gross earned premiums from non-proportional indirect general insurance amount to DKK -76.

Noter til resultatopgørelse

Note	1.000 kr.	2009	2008
8	**Balance on the technical account, general insurance (fortsat)**		
	The average claims paid are calculated as claims costs for the year relative to the number of claims paid and are therefore affected by run-off gains and losses.		
	The claims frequency is calculated as the number of claims paid relative to the average number of insurance contracts in the period, cf. the guidelines issued by the Danish Financial Supervisory Authority.		
9	**Value adjustments**		
	Group occupied properties	-436	-382
	Investments:		
	Equity investments	1,065	378
	Bonds	156,942	125,742
	Other loans	2,533	242
	Total Group occupied properties and investments	**160,104**	**125,980**
	Other value adjustments	-10,042	-21,978
	Value adjustments	**150,062**	**104,002**
	Realised gains and losses on Group occupied properties and investments	-6,556	-42,911
	Unrealised gains and losses on Group occupied properties and investments	166,660	169,090
	Other realised gains and losses	-19,566	-2,997
	Other unrealised gains and losses	9,524	-19,180
	Value adjustments	**150,062**	**104,002**
	Unrealised gains and losses on securities where the fair value is determined using valuation techniques which are not based on official market values or prices	1,185	615
10	**Other income**		
	Adjustment in connection with portfolio transfers in previous years	-	614
	Gain on disposal of indirect general insurance portfolios	-	10,676
	Other income	**-**	**11,290**
11	**Other expenses**		
	Loss on disposal of indirect general insurance portfolios	-	-4,240
	Deferred income on sale and leaseback transactions	-	-115,000
	Fee in connection with disposal of property company in 2008	-12,922	-
	Other expenses	**-12,922**	**-119,240**
12	**Profit from discontinued operations**		
	Profit from discontinued life and pensions business	-	3,839
	Profit from discontinued operations	**-**	**3,839**

Notes to the financial statements

Note	DKK '000	2009	2008
13	**Tax**		
	Tax on total income for the year:		
	Current tax expense	-97,991	-116,575
	Change in deferred tax on temporary differences	-17,789	11,228
	Change in deferred tax resulting from change in tax rate	-	88
	Tax on total income for the year	**-115,780**	**-105,259**
	Adjustments relating to previous years:		
	Current tax for previous years	-10,033	-13,388
	Adjustment of deferred tax at 1 January	25,554	4,722
	Adjustments relating to previous years	**15,521**	**-8,666**
	Tax expense	**-100,259**	**-113,925**
	Tax is included as follows:		
	Tax in the income statement	-101,060	-98,723
	Tax on changes in equity	801	-15,202
	Tax expense	**-100,259**	**-113,925**
	Total tax on total income for the year can be explained as follows:		
	Profit before tax	534,159	453,860
	Reversal of income from Group entities	-67,046	-72,956
	Revaluation of properties taken to equity	-	163
	Currency translation adjustment, foreign subsidiaries, recognised in equity	-52,003	61,004
	Actuarial gains and losses on pension obligations recognised in equity	2,322	-200
	Intra-group contribution recognised in equity	43,083	20,519
	Total income	460,515	462,390
	Applicable tax rate	25%	25%
	Tax calculated on total income	-115,129	-115,598
	Tax on permanent differences:		
	Properties and other equity investments	-178	16
	Income not subject to tax	47	30
	Expenses not allowable for tax purposes	-1,320	-1,250
	Different tax rates in countries where branches are located	-1,167	-940
	Change in tax rate	-	88
	Other permanent differences relating to branches	1,261	9,629
	Other permanent differences	706	2,766
	Tax	**-115,780**	**-105,259**
	Tax on the total income for the year	-115,780	-105,259
	Adjustment of tax relating to previous years	15,521	-8,666
	Tax expense	**-100,259**	**-113,925**

Notes to the financial statements

Note	DKK '000	Completed IT development projects	Goodwill	IT development projects in progress
14	**Intangible assets**			
	2009			
	Cost, beginning of the year	105,506	204,740	59,432
	Currency translation adjustments, foreign branches	-10	475	-6
	Reclassification	5,963	-	-
	Additions	1,839	-	78,730
	Transferred from development projects in progress	31,423	-	-31,423
	Cost, end of the year	**144,721**	**205,215**	**106,733**
	Amortisation and impairment, beginning of the year	-81,829	-	-1,000
	Intra-group portfolio transfer	-1,222		-
	Impairment losses recognised in the income statement	-	-	-8,182
	Amortisation during the year	-21,516	-	-
	Amortisation and impairment, end of the year	**-104,567**	**-**	**-9,182**
	Carrying amount, end of the year	**40,154**	**205,215**	**97,551**
	Carrying amount, beginning of the year	23,677	204,740	58,432
	2008			
	Cost, beginning of the year	92,265	195,867	9,660
	Currency translation adjustments, foreign branches	-	-1,486	-6
	Intra-group portfolio transfer	-	10,359	-
	Additions	6,247	-	56,909
	Disposals	-137	-	-
	Transferred from development projects in progress	7,131	-	-7,131
	Cost, end of the year	**105,506**	**204,740**	**59,432**
	Amortisation and impairment, beginning of the year	-63,727	-	-
	Impairment losses recognised in the income statement	-2,482	-	-1,000
	Amortisation during the year	-15,643	-	-
	Reversal of amortisation relating to disposals during the year	23	-	-
	Amortisation and impairment, end of the year	**-81,829**	**-**	**-1,000**
	Carrying amount, end of the year	**23,677**	**204,740**	**58,432**
	Carrying amount, beginning of the year	28,538	195,867	9,660

2009	Acquired software licenses	Customer lists	Total intangible assets
Cost, beginning of the year	16,643	24,186	410,507
Currency translation adjustments, foreign branches	717	524	1,700
Reclassification	-5,963	-	-
Additions	1,179	11,071	92,819
Cost, end of the year	**12,576**	**35,781**	**505,026**
Amortisation and impairment, beginning of the year	-9,565	-7,659	-100,053
Currency translation adjustments, foreign branches	-310	-156	-466
Intra-group portfolio transfer	1,222	-	-
Impairment losses recognised in the income statement	-	-	-8,182
Amortisation during the year	-1,438	-8,390	-31,344
Amortisation and impairment, end of the year	**-10,091**	**-16,205**	**-140,045**
Carrying amount, end of the year	**2,485**	**19,576**	**364,981**
Carrying amount, beginning of the year	7,078	16,527	310,454

Notes to the financial statements

Note	DKK '000	Acquired software licenses	Customer lists	Total intangible assets
14	**Intangible assets (continued)**			
	2008			
	Cost, beginning of the year	7,058	24,207	329,057
	Currency translation adjustments, foreign branches	-746	-	-2,238
	Intra-group portfolio transfer	1,552	-	11,911
	Additions	8,780	-18	71,918
	Disposals	-	-	-137
	Cost, end of the year	**16,644**	**24,189**	**410,511**
	Amortisation and impairment, beginning of the year	-4,676	-2,825	-71,228
	Currency translation adjustments, foreign branches	271	4	275
	Impairment losses recognised in the income statement	-	-	-3,482
	Amortisation during the year	-5,161	-4,841	-25,645
	Reversal of amortisation relating to disposals during the year	-	-	23
	Amortisation and impairment, end of the year	**-9,566**	**-7,662**	**-100,057**
	Carrying amount, end of the year	**7,078**	**16,527**	**310,454**
	Carrying amount, beginning of the year	2,382	21,382	257,829

Amortisation is included in operating expenses and claims incurred.

Note		Group occupied properties	IT equipment under finance leases	Other equipment	Total equipment
15	**Total property and equipment**				
	2009				
	Cost, beginning of the year	4,565	81,272	124,524	210,361
	Currency translation adjustments, foreign branche	138	-	737	875
	Additions, including improvements	-	31,652	19,743	51,395
	Disposals of assets held for sale	-3,200	-	-	-3,200
	Disposals during the year	-600	-	-20,625	-21,225
	Cost, end of the year	**903**	**112,924**	**124,379**	**238,206**
	Revaluations, beginning of the year	1,972	-	-	1,972
	Currency translation adjustments, foreign branche	163	-	-	163
	Reversal of previous revaluations etc.	-1,071	-	-	-1,071
	Revaluations, end of the year	**1,064**	**-**	**-**	**1,064**
	Depreciation and impairment, beginning of the ye	-200	-47,147	-70,753	-118,100
	Currency translation adjustments, foreign branche	-	-	-474	-474
	Intra-group portfolio transfer	-	-	-82	-82
	Depreciation during the year	-	-18,370	-14,233	-32,603
	Depreciation on assets held for sale	200	-	-	200
	Depreciation on disposals during the year	-	-	11,680	11,680
	Depreciation and impairment, end of the year	**-**	**-65,517**	**-73,862**	**-139,379**
	Carrying amount, end of the year	**1,967**	**47,407**	**50,517**	**99,891**
	Carrying amount, beginning of the year	6,337	34,125	53,771	94,233
	Depreciated linear over	30 years	3-5 years	4-10 years	
	Fair value of Group occupied properties valued at the end of the year by independent external valuers	-			

Depreciation is included in operating expenses
and claims incurred.

Notes to the financial statements

Note	DKK '000	Group occupied properties	IT equipment under finance leases	Other equipment	Total equipment
15	**Total property and equipment (fortsat)**				
	2008				
	Cost, beginning of the year	4,682	58,317	126,040	189,039
	Currency translation adjustments, foreign branche	-154	-	-644	-798
	Additions, including improvements	-	22,955	21,337	44,292
	Additions through business combinations	919	-	4,852	5,771
	Disposals during the year	-882	-	-27,061	-27,943
	Cost, end of the year	**4,565**	**81,272**	**124,524**	**210,361**
	Revaluations, beginning of the year	1,271	-	-	1,271
	Currency translation adjustments, foreign branche	-182	-	-	-182
	Revaluations during the year	363	-	-	363
	Reversal of previous revaluations etc.	-200	-	-	-200
	Revaluations on business combinations	720	-	-	720
	Revaluations, end of the year	**1,972**	**-**	**-**	**1,972**
	Depreciation and impairment, beginning of the ye	-132	-31,542	-69,359	-101,033
	Currency translation adjustments, foreign branche	-	-	-444	-444
	Intra-group portfolio transfer	-	-	-1,789	-1,789
	Depreciation during the year	-	-15,605	-14,345	-29,950
	Impairment losses during the year	-200	-	-	-200
	Depreciation on disposals during the year	132	-	15,184	15,316
	Depreciation and impairment, end of the year	**-200**	**-47,147**	**-70,753**	**-118,100**
	Carrying amount, end of the year	**6,337**	**34,125**	**53,771**	**94,233**
	Carrying amount, beginning of the year	5,821	26,775	56,681	89,277
	Depreciated linear over	30 years	3-5 years	4-10 years	
	Fair value of Group occupied properties valued at the end of the year by independent external valuers	3,000			

	2009	2008
Additional information on Group occupied properties:		
Proportion of properties used for the Company's own operations	100.0%	100.0%
Specific land and buildings not valued on the basis of required rate of return:		
Balance sheet value, Danish properties	-	1,671
Balance sheet value, foreign properties	1,967	4,666

Notes to the financial statements

Note	DKK '000	2009	2008
16	**Investments in Group entities**		
	Cost, beginning of the year	431,402	809,728
	Disposals, during the year	-	-378,326
	Cost, end of the year	**431,402**	**431,402**
	Adjustments, beginning of the year	78,906	-239,197
	Profit for the year from Group entities	67,046	72,956
	Reversal of adjustments relating to disposals during the year	-	245,147
	Adjustments, end of the year	**145,952**	**78,906**
	Carrying amount, end of the year	**577,354**	**510,308**
	The value of investments in Group entities can be broken down as follows:		
	Besigtelses Kontoret af 1914 A/S	21,758	16,002
	Forsikringsselskabet Privatsikring A/S	329,455	260,327
	Trekroner Forsikring A/S	226,141	233,979
		577,354	**510,308**

Equity in Group entities, which has formed the basis for the calculation of Codan Forsikring A/S' share as specified above, has been determined in accordance with the accounting policies of Codan Forsikring A/S.

All subsidiaries are separate entities.

Additional information on investments in Group entities:	Registered office	Ownership interest %	Results 2008 DKK '000	Equity 31.12.2009 DKK '000
Companies carrying on insurance business:				
Forsikringsselskabet Privatsikring A/S	Frederiksberg	100	69,126	329,453
Trekroner Forsikring A/S	Frederiksberg	100	-7,838	226,141
Companies providing insurance-related services:				
Besigtelses Kontoret af 1914 A/S	Frederiksberg	100	5,757	21,758

Results and equity in Group entities as stated above are in accordance with the latest Annual Report.

Note	DKK '000	2009	2008
17	**Current tax assets and liabilities**		
	Current tax assets and liabilities, beginning of the year	38,199	18,241
	Current tax for the year	-97,991	-116,575
	Adjustment of current tax relating to previous years	-10,033	-13,388
	Corporation tax paid during the year	196,727	149,921
	Current tax assets and liabilities, end of the year	**126,902**	**38,199**

Notes to the financial statements

Note	DKK '000	2009	2008
18	**Deferred tax assets og red tax liabilities**		
	Deferred tax assets, beginning of the year	42,540	33,597
	Currency translation adjustments	8,895	-7,095
	Change relating to intangible assets	-8,601	-9,392
	Change relating to property and equipment	-3,218	-1,899
	Change relating to investments	-14,591	-70,117
	Change relating to technical provisions	17,333	-6,662
	Change relating to liabilities and payables	-28,810	49,060
	Change relating to tax losses	46,996	55,048
	Transferred to deferred tax liabilities	41,211	2,543
	Deferred tax assets, end of the year	**101,755**	**45,083**
	Deferred tax assets expected to be recovered within 12 months of the end of the financial year	-	-
	Deferred tax assets expected to be recovered more than 12 months after the end of the financial year	101,755	45,083
	Deferred tax assets, end of the year	**101,755**	**45,083**
	Deferred tax liabilities expected to be paid within 12 months of the end of the financial year	-	-
	Deferred tax liabilities expected to be paid more than 12 months after the end of the financial year	-41,211	-2,543
	Deferred tax liabilities, end of the year	**-41,211**	**-2,543**
	Deferred tax assets and tax liabilities, end of the year	**60,544**	**42,540**
	Deferred tax for the year recognised in the income statement	-18,562	11,366
	Deferred tax for the year recognised in equity	773	-50
	Total deferred tax for the year	**-17,789**	**11,316**
	Specification of deferred tax assets and liabilities at the end of the year:		
	Intangible assets	-28,753	-20,152
	Property and equipment	-4,776	-1,559
	Investments	-38,057	-23,466
	Technical provisions	10,855	-5,295
	Liabilities and payables	8,535	37,346
	Net tax losses, carried forward	112,740	55,666
	Deferred tax assets and liabilities, end of the year	**60,544**	**42,540**

In accordance with the rules issued by the Danish Financial Supervisory Authority
no provisions are made for deferred tax on untaxed transfers to contingency funds, cf. Note 20.

Note		2009	2008
19	**Share capital**		
	The Company's fully paid share capital can be broken down as follows:		
	2 shares of DKK 1,000,000	2,000	2,000
	1 share of DKK 2,000,000	2,000	2,000
	2 shares of DKK 3,000,000	6,000	6,000
	1 share of DKK 5,000,000	5,000	5,000
	Share capital	**15,000**	**15,000**

No shares carry special rights. All shares
carry full dividend rights. The Company does not hold own shares.

Notes to the financial statements

Note	DKK '000	2009	2008
20	**Contingency funds**		
	The contingency funds can be broken down as follows:		
	Contingency fund A, created by resolution at the Annual General Meeting on 17 May 1966	313,461	313,461
	Contingency fund B for general insurance, cf. Section 138(2) of Act No. 630 of 23 December 1980	1,749,889	1,749,889
	Contingency fund C for workers' compensation insurance	18,756	18,756
	Contingency funds	**2,082,106**	**2,082,106**
	Of which untaxed	1,395,059	1,395,059
21	**Total equity**		
	Solvency margin and capital base:		
	Calculated solvency margin	**1,081,451**	**1,050,003**
	Capital base to cover the solvency margin	**2,633,507**	**2,542,620**
	Capital base is calculated as follows:		
	Equity	3,860,603	4,291,384
	Proposed dividend	-140,000	-850,000
	Equalisation reserves within credit and guarantee insurance	-70,712	-67,006
	Value of intangible assets	-364,981	-310,454
	Value of tax assets	-101,755	-45,083
	Solvency margin in subsidiaries	-157,834	-141,853
	Proposed dividend in subsidiaries	-150,000	-
	Value of intangible assets and tax assets in subsidiaries carrying on insurance business	-332	-862
	Deduction for discounting in the provision for outstanding claims	-219,055	-308,981
	Deduction for discounting in the provision for outstanding claims in subsidiaries carrying on insurance business	-22,427	-24,525
	Capital base to cover the solvency margin	**2,633,507**	**2,542,620**

Notes to the financial statements

Note	DKK '000	2009	2008
22	**Pension obligations**		
	Pension obligations in Codan Forsikring A/S are generally funded.		
	In respect of defined contribution schemes, the employer is under an obligation to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the salary). In a defined contribution scheme, the Company does not bear the risk in relation to future developments in interest rates, inflation, mortality and disability. This is opposed to defined benefit schemes, where the employer is under an obligation to pay a defined benefit (e.g. a fixed amount or a percentage of the final salary).		
	Codan Forsikring A/S has a few pension obligations that are not fully funded.		
	Present value of defined benefit schemes	871	3,368
	Net liability recognised in the balance sheet	**871**	**3,368**
	No assets have been separated to cover pension obligations.		
	Development in present value of defined benefit obligations:		
	Pension obligations, beginning of the year	3,368	3,556
	Calculated interest on obligation	64	142
	Actuarial gains and losses	-2,322	200
	Benefits paid	-239	-530
	Pension obligations, end of the year	**871**	**3,368**
	Pension costs recognised in the income statement:		
	Calculated interest on obligation	-64	-142
	Total recognised for defined benefit schemes	-64	-142
	Total recognised for defined contribution schemes	-131,555	-124,037
	Pension costs recognised in the income statement	**-131,619**	**-124,179**
	Assumptions used in the calculation of pension obligations:		
	Discount rate for Danish pension schemes	4%	4%
	Future rate of salary increase for Danish pension schemes	0%	0%
23	**Other provisions**		
	Other provisions, beginning of the year	53,578	931
	Reversal of unused provisions	-4,881	-931
	Provisions made during the year	18,503	53,578
	Other provisions, end of the year	67,200	53,578
	Other provisions	**67,200**	**53,578**

24 **Total payables**

No payables fall due more than five years after the balance sheet date.

Included in other payables are unsettled transactions in investments etc.
with DKK .0 in 2009 (DKK 0 in 2008)

Noter til balance

Note		1.000 kr.	2009	2008
25	**Related parties**			

Oplysninger om nærtstående parter
Codan A/S owns 100% of the shares in Codan Forsikring A/S and consequently holds a controlling interest in the Company.

The Company's related parties furthermore include the members of the Board of Directors and the Board of Management, and the boards of directors and boards of management and executives of Group entities as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors and the Board of Management, executives, major shareholders or other related parties. The management remuneration is shown in Notes 7 and 33.

Related party transactions
The Company undertakes all administrative tasks for all wholly-owned Danish subsidiaries in the Codan Group. The Company furthermore undertakes all administrative tasks for the Parent Company, Codan A/S.

Administration fees payable to and receivable from Group entities in the Codan Group are settled on a cost-covering basis. Rent payments to Group entities are made on an arm's length basis.

Agreements on interest on inter-company balances on an arm's length basis were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 453.0 in 2009 (DKK 17879.0 in 2008).

Agreements on interest on loans on an arm's length basis were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 35969.0 thousand in 2009 (DKK 18,058 thousand in 2008).

Agreements on reinsurance were entered into with companies in the Codan Group and with companies in the RSA Group on an arm's length basis.

In 2009, the Company paid for the use of joint IT systems and the Company's share of joint services in the RSA Group. Payments were made on a cost-covering basis.

Business transactions with Group entities and associates included the following:

	2009	2008
Sale of reinsurance to Group entities	60,194	72,967
Purchase of reinsurance from Group entities	-40,572	-30,704
Sale of services to Group entities	1,956	3,289
Purchase of services from Group entities	-48,363	-37,844
Sale of administrative services to Group entities	239,128	196,662
Business transactions with Group entities	**212,343**	**204,370**

Notes to the financial statements

Note	DKK '000	2009	2008
26	**Security**		
	The following assets are held under trust for the benefit of policyholders to cover technical provisions:		
	Investments in Group entities	577,364	-
	Bonds	11,235,640	11,121,917
	Receivables from Group entities	86,747	-
	Interest receivable	203,035	183,953
	Cash and cash equivalents	340,486	534,167
	Security	**12,443,272**	**11,840,037**
27	**Contingent assets, contingent liabilities and financial liabilities**		
	Financial liabilities		
	Operating lease commitments fall due within ten years and constitute:	289,647	226,624
	Service agreements (IT and telephony)	206,222	156,411
	Sponsorships	1,140	3,655
	Guarantee in connection with the disposal of Group occupied property	29,000	29,000
	Financial liabilities	**526,009**	**415,690**

The Company is cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to the Company's own share of such risks, which is included in the Annual Report, the Company is jointly and severally liable for the other insurers' share of the insurance liabilities. However, in view of the fact that these insurers are sound companies, the risk is largely minimal.

The Company signed contracts with external companies for the purpose of selling insurance products.

The Company is jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

The Company has undertaken obligations pursuant to the Norwegian act 2005-06-10 no. 41: Lov om forsikringsformidling, §7-5, for the Companys' agents Codan Marine Service AS and White Label Insurance AS.

The Company is jointly and severally liable together with other companies participating in the joint taxation before 2005 for any corporation tax imposed during the accounting period 2004 and previously.

The Company entered into agreements with other companies in the Codan Group on the sale of insurance products, invest-ment management, reinsurance, provision of administrative services, property management, etc.

Notes to the financial statements

Note

28 **Incentive schemes**

RSA Insurance Group plc. operates a number of incentive schemes. Until and including 2005, RSA Insurance Group plc. had an Executive Share Option Plan and a Share Matching Plan for executives and other key employees. In 2006, these plans were replaced by a Long Term Incentive Plan. The plans are all subject to different performance conditions and are based on shares in RSA Insurance Group plc.. In addition, RSA Insurance Group plc. operates the Savings Related Share Option Plan providing all employees with the opportunity of buying shares in RSA Insurance Group plc. at a favourable price.

Executive Share Option Plan
The options are exercisable between three and ten years after grant, provided that specific performance conditions are met. The exercise price of all options is equal to the fair value of the underlying stock at the date of the grant.

The fair value of the options granted is based on all performance conditions being met.

Share Matching Plan
The options granted are exercisable between three and five years after grant at a price per share of nil. 25% of the options granted are not subject to performance conditions, while the remaining 75% can be exercised only if a number of performance conditions are met.

Long Term Incentive Plan
The structure of the plan allows for a number of different types of awards to be made. Voluntary Deffered Shares are purchased by the participants from net bonus payable (limited to a maximum value of 33% of net bonus); in addition, for senior executives, the Remuneration Committee may defer a portion of an individual's bonus (limited to 33% of that bonus) into an award over shares referred to for the purpose of the plan as Compulsory Deferred Shares. Deferred shares are held in trust for three years and normally forfeited on an employee leaving the Group. No further performance conditions apply. The Remuneration Committee may make a conditional award of shares on a "matched" basis to Voluntary and Compulsory Deferred Shares ("Matching Shares").

Additionally, the Remuneration Committee may make conditional awards of Performance Shares to senior Executives, and conditional awards of Restricted Shares to other executives and senior managers.

Awards of Performance Shares and Matching Shares related to Compulsory Deferred Shares are subject to a performance condition consisting of a combination of a return on equity target and a total shareholder return target (with performance measured by comparison against other European insurance companies) over a single three year performance period. Matching Shares related to Voluntary Deferred Shares are subject only to the return on equity performance condition. Restricted Shares are not subject to performance conditions. All awards vest on the third anniversary of the date of the grant to the extent that the performance conditions have been met.

Savings Related Share Option Plan
Employees eligible to participate in the RSA Insurance Group plc. International Sharesave Plan (savings related) can, through a savings contract, receive options to purchase ordinary shares of RSA Insurance Group plc.'s common stock at a price equal to 80% of the fair value of the ordinary shares at the date of the grant. The number of shares available for purchase from the plan by each participant is limited to the whole number of shares purchasable from the aggregate value of the individual's savings contract upon maturity. An individual's maximum monthly contribution to all current savings contracts is £250. All options expire in three or five years from the grant date and expire six months after vesting.

Notes to the financial statements

Note **1.000 kr.**

28 **Incentive schemes (continued)**

Board of Directors and Board of Management

There are no bonus schemes or incentive schemes for the Board of Directors.
The Board of Management is covered by the general bonus scheme and by
RSA Insurance Group plc.'s incentive schemes as set out above.

Participation of the Board of Management in incentive schemes at 31 December:

2009	**Executive Share Option Plan**		**Share Matching Plan**		**Long Term Incentive Plan**		**Savings Related Share Option Plan**	
	Shares	Prices (a)	Shares	Prices (a)	Shares	Prices (a)	Shares	Prices (a)
Outstanding at 1 January	-	-	-	-	450,416	-	10,375	118
Appointment and retirement of members of the Board of Management	224,835	86	14,853	-	-440,255	-	6,499	-
Granted during the year	-	-	-	-	431,559	-	6,624	97
Exercised during the year	-	-	-5,986	-	-132,469	-	-6,948	85
Forfeited during the year	-	-	-	-	-32,394	-	-	-
Outstanding at 31 December	**224,835**	**86**	**8,867**	**-**	**276,857**	**-**	**16,550**	**111**
Potential Matching Share awards	-	-	-	-	405,329	-	-	-
Options exercisable at year end	-	-	**-**	**-**	**-**	**-**	-	-

(a) Price refers to weighted average exercise price in sterling (pence)

2008	**Executive Share Option Plan**		**Share Matching Plan**		**Long Term Incentive Plan**		**Savings Related Share Option Plan**	
	Shares	Prices (a)	Shares	Prices (a)	Shares	Prices (a)	Shares	Prices (a)
Outstanding at 1 January	-	-	-	-	204,019	-	10,375	118
Granted during the year	-	-	-	-	246,397	-	-	-
Outstanding at 31 December	**-**	**-**	**-**	**-**	**450,416**	**-**	**10,375**	**118**
Potential Matching Share awards	-	-	-	-	500,390	-	-	-
Options exercisable at year end	-	-	**-**	**-**	**-**	**-**	-	-

(a) Price refers to weighted average exercise price in sterling (pence)

Notes to the financial statements

Note **DKK '000**

29 **Effect of adjusted yield curve**

The rules on discounting of technical provisions were changed by the Danish Financial Supervisory Authority at the end of 2008 due to an agreement of 31 October 2008 on financial stability in the pensions area. The changes result in the use of an adjusted term dependent yield curve for calculations made in the period from 31 October 2008 to 31 December 2010.

The impact on the results, equity, balance sheet total, capital requirement and capital base of Codan Forsikring A/S from the use of the adjusted yield curve compared to the use of the original yield curve is as follows:

2009	**Non-adjusted yield curve**	**Adjusted yield curve (financial statements)**
Technical interest, net of reinsurance	77,446	64,433
Change in the provision for claims	-18,059	17,941
Change in the provision for claims, reinsurers' share	-132,204	-132,984
Income from Group entities	66,887	67,046
Value adjustments	164,242	150,062
Tax	99,053	-101,060
Profit for the year	**427,238**	**433,099**
Investments in Group entities	577,513	577,354
Reinsurers' share of provision for claims	793,461	793,721
Current tax assets	128,909	126,902
Total assets	**15,625,103**	**15,673,017**
Total equity	3,854,742	3,860,603
Provisions for outstanding claims	8,360,179	8,368,466
Total equity and liabilities	**15,609,049**	**15,673,017**
Solvency margin	**1,084,043**	**1,081,451**
Capital base	**2,925,460**	**2,633,507**
2008		
Technical interest, net of reinsurance	192,748	192,137
Change in the provision for claims	-154,915	-145,344
Change in the provision for claims, reinsurers' share	-326,570	-327,300
Income from Group entities	74,312	72,956
Value adjustments	95,773	104,002
Tax	-94,608	-98,723
Profit for the year	**341,437**	**355,137**
Investments in Group entities	508,952	510,308
Reinsurers' share of provision for claims	866,827	865,456
Current tax assets	42,314	38,199
Total assets	**15,494,443**	**15,490,313**
Total equity	4,277,684	4,291,384
Provisions for outstanding claims	7,996,954	7,979,124
Total equity and liabilities	**15,494,443**	**15,490,313**
Solvency margin	**1,050,003**	**1,050,003**
Capital base	**2,514,268**	**2,542,620**

30 **Consolidated financial statements**
RSA Insurance Group plc., One Plantation Place, London, England prepares the consolidated financial statements, in which Codan Forsikring A/S is included as a subsidiary.

Aruande digitaalallkirjad

Codan Forsikring A/S Eesti filiaal (registrikood: 11299485) 01.01.2009 - 31.12.2009 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Allkirjastaja nimi	Allkirjastaja roll	Allkirja andmise aeg
DMITRI VOLKOV	Sisestaja	14.07.2010
KAIDO KEPP	Filiaali juhataja	19.07.2010

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EEK)	Müügitulu %	Põhitegevusala
Kahjukindlustus	**65121**	**103274597**	**100.00%**	**Jah**

Sidevahendid

Liik	Sisu
Telefon	**+372 6224550**
Faks	**+372 6030779**
E-posti aadress	**dmitri.volkov@rsagroup.ee**