Sundhedsgruppen A/S

SUNDHEDSGRUPPEN

Solvency and Financial Condition Report
Financial Year ended 31st December 2020

Table of Contents

Executive Summary

SundhedsGruppen A/S (hereafter Sundhedsgruppen) is a Danish holding company with a focus on health-related services and products. Sundhedsgruppen owns Forsikringsselskabet Dansk Sundhedssikring A/S (hereafter DSS), PrimaCare and VitalityGuard. DSS delivers medical expertise and offers health insurance, PrimaCare ensures a vast network with quality-assured care providers and VitalityGuard offers preventative initiatives in the medical sector.

DSS main focus of business is to offer health insurance to citizens registered in the Scandinavian region (Sweden, Norway, Denmark). Currently, DSS only has a license to sell insurance in Denmark.
DSS offers clinically proven treatment according to national standards. This includes physiotherapy, chiropractic, psychology, acupuncture, reflexology, massage and treatment at private hospitals. DSS ensures that all customers receive treatment to resolve their health problem within 10 working days – to improve health and treat conditions is the purpose of DSS. Besides treatment DSS offers help to navigate in the public healthcare system and advises customers on health-related problems for a claim, which are not covered by the insurance policy.

DSS has an ambitious growth strategy towards 2024 to have a yearly revenue growth rate of around 14 %. The overall goal is to support more than 500,000 customers in Denmark with healthcare-related issues in 2024. To reach this, DSS continuously must focus on product development, and secure scalability through digitalization and efficient processes.

This is the first year a solvency and financial condition report for Sundhedsgruppen is produced, since Sundhedsgruppen writes insurance business only via DSS which received an insurance license only on the 11th of December 2020. This is also reflected in the numbers for the accounting year 2020. The technical insurance result for 2020 is equal to DKK 0 as DSS served only as MGA (managing general agent) for the entire fiscal year 2020. The written premium for 2020 was DKK 0 and the earned premium was DKK 0.

The Solvency Capital Requirement at 31st of December 2020 for Sundhedsgruppen is calculated to be DKK 62.4M. and the own funds as of 31st of December 2020 is DKK 115.7M, which leads to a solvency ratio of 185 %.

A. Business and Performance

A.1 Business

Name:
SundhedsGruppen A/S

Adress:
Hørkær 12 B
2730 Herlev
Denmark

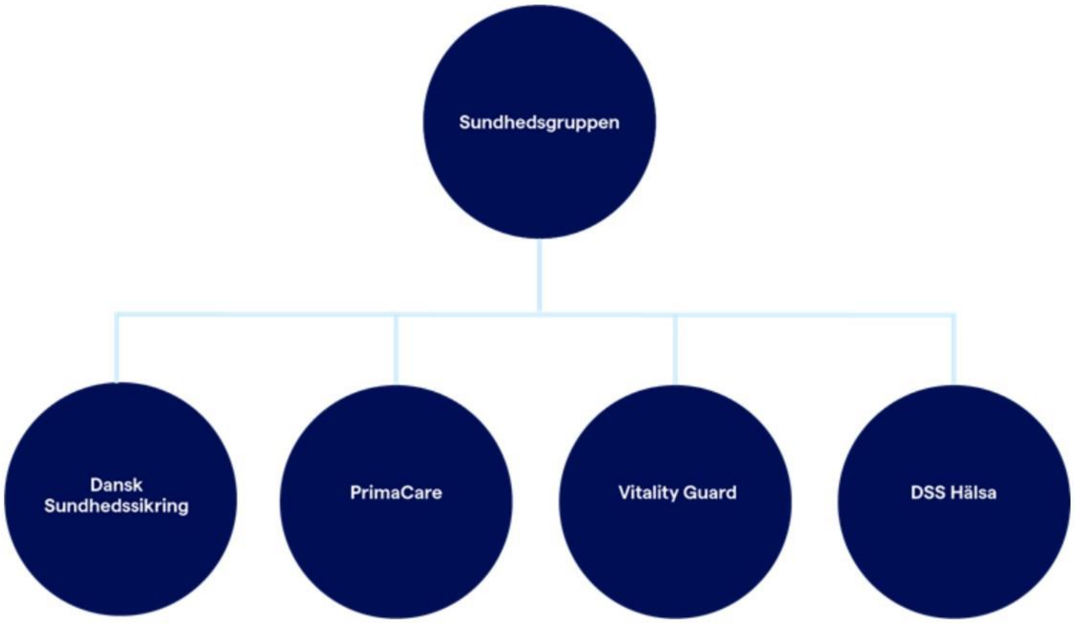
Legal form:
Limited company

Supervisory authority:
Danish FSA
Århusgade 110
2100 Copenhagen
Denmark

External audit:
Deloitte
Weidekampsgade 6
2300 Copenhagen
Denmark

Ownership:
Sundhedsgruppen is owned by the British specialist fund AnaCap Financial Partners. AnaCap is the main shareholder – in addition to a number of minority shareholders.

Organisational structure, industry and geography:
Sundhedsgruppen is a holding company with primary purpose of holding shares in its subsidiaries. In particular, Sundhedsgruppe does not write directly any insurance business but only via its subsidiary Dansk Sundhedssikring. The other subsidiaries do not provide insurance services. All subsidiaries are in scope of the group. The following chart shows the organizational structure of Sundhedsgruppen as per 1 February 2021.



Dansk Sundhedssikring A/S (hereafter: "DSS") is fully owned by Sundhedsgruppen. DSS is a non-life insurance company with license to write business in the insurance classes "1. Accident" and "2. Sickness". DSS´s license does not include insurance of work-related accidents or diseases. DSS received its insurance license in mid-December 2020 and did not write any business during 2020. DSS has currently only license to sell insurance in Denmark.

PrimaCare is fully owned by Sundhedsgruppen and provides a vast network with quality-assured health care providers. PrimaCare does not hold a license to write insurance.

Vitality Guard is fully owned by Sundhedsgruppen and offers preventative initiatives in the health area. Vitality Guard does not hold a license to write insurance.

DSS Halsä Sundhedsgruppen bought in 2021 the Swedish health care provider White Label Care and renamed it to DSS Halsä. Since this report only covers the financial year 2021, this subsidiary is out of scope of this report.

A.2 Underwriting Performance

The following table shows the insurance technical result as per 31st of December 2020 for sundhedsgruppen:

DKK M	2020	2019
Premiums	-	-
Claims incurred	-	-
Insurance result	-	-
Investment result	-0,3	-
Profit before tax	**-**	**-**
Tax	0,1	-
Profit after tax	**-0,2**	**-**

Sundhedsgruppen writes insurance only via its subsidiary DSS. DSS did not receive their license to act as an insurance company until mid-December 2020 and DSS did not write any insurance business in 2020. Due to this all premiums and claims are zero.

A.3 Investment Performance

Sundhedsgruppen had a negative investment income of DKK 0.2M due to the negative price development of the bonds.

DKK M	2020	2019
Income from investments in affiliated companies	0	0
Income from Bonds	-0.3	0
Total investment income	**-0.3**	**0**

Sundhedsgruppen has a conservative investment strategy, where the focus is placement in liquid and less volatile assets. The current investment assets are shown in chapter D.1.

A.4 Performance of other activities

In 2020 DSS had DKK 9.7 mio. kr. in other income in the period 11th of December to the 31st of December. This income is related to the MGA business, and will be converted to insurance revenue next year. Other expenses ended up at DKK 9.7 mio. and are costs related to running the MGA business.

A.5 Any other information

All material information regarding the business and performance is disclosed in the above sections.

B. System of Governance

B.1 General information on the system of governance

The Board of Directors should consist of three and up to six members and the Board of Directors shall be composed in such a way that it possesses all relevant competencies in relation to directing a non-life insurance undertaking. The requirements of the Board of Directors' suitability, integrity and competence are described in detail in the Policy on diversity of the Board of Directors.

The Board of Directors handles the overall management in collaboration with the Executive Board, and under the responsibility of the general meeting.

The task and responsibilities of the Board of Directors are further described in the policy "Rules of procedures for the board".

Executive Board

The Executive board which consists of the CEO is responsible for the daily business.

The responsibility for the daily operation is divided between the CEO, CFO, CTO, CCO and COO.
The CEO has the overall responsibility for the claims department and development of products.
The CFO is responsible for the BI department as well as the handling of the finance department. All the key functions refer in daily business to the CFO with a reference also to the CEO.
The CCO is responsible for the sales department, and the relation to the distribution network.
The CTO is responsible for the IT-operations, which includes both development of IT-systems in order to execute the business strategy as well as daily operations tasks.
The COO has the responsibility for the health and customer team.

The CFO, CTO, COO and CCO refer to the CEO.

Each department is led by a manager with reference to either the CEO, CFO, CTO, COO or CCO.

The four key functions

The Board of Directors has in accordance with Executive Order on management and governance of insurance companies (Bekendtgørelse om ledelse og styring af forsikringsselskaber m.v. af den 15. December 2015) established four key functions:

1. Risk management function, described further in section B.3
2. Compliance function, described in section B.4
3. Internal Audit, described in section B.5
4. Actuarial function, described in section B.6

Remuneration policy

The remuneration policy and practices related to remuneration are described in the remuneration policy and have the purpose to secure a healthy and effective development. This includes not taking unnecessary risks in relation to remuneration.
The following legislation has been taken into consideration:

- Executive Order on salary policy and remuneration in insurance companies, insurance holding companies and company pension funds (Executive Order No. 16, 04/01/2019),
- Commission Delegated Regulation (EU) 2015/35 regarding the taking-up and pursuit of the business of insurance and reinsurance (Solvency II)

The remuneration policy applies to Sundhedsgruppen as a whole and contains specific arrangements for the Board of Directors, the Executive Board and other employees whose activities have a significant impact on the risk profile.

Remuneration is made in accordance with Executive Order No 16 of 04/01/2019, and to avoid and control remuneration to significant risk takers, the Board of Directors establishes and prepares a summary of significant risk takers. This overview is reviewed at least once a year.

External independent Board members receive compensation. The remuneration of Board members (basic amount) is set according to market standards, taking into account the Board members' individual competencies, the scope of the Board work and the number of meetings.

The Chairman of the board receives twice the basic fee.

For Board members participating in audit committees and risk committees, the fees shall be determined by the general meeting.

B.2 Fit and proper requirements

The fit and proper requirements ensure that all persons who effectively run parts of the company, or have other key functions, fulfil the requirements presented in the Solvency II Directive (DIRECTIVE 138/2009/EC). To fulfil the fit and proper requirements members of the Board of Directors, and persons responsible for key functions, are required to:

- Have sufficient professional skills and resources to perform their work satisfactorily.
- Continuously develop their professional skills and resources through training and experience to maintain a satisfactory level of competence in their respective field.
- Have a sufficiently good reputation.
- Show honesty and integrity.

Specific requirements for the person responsible for each individual key function are described in the description of each individual function. The members of the Board of Directors have further fit and proper requirements. Members of the Board of Directors are required to complete a basic course in the competencies necessary to fulfil the duties and functions required by the members of the Board of Directors of a non-life insurance company no later than 12 months after joining the Board of Directors of the insurance company. The course must be completed by a provider approved by the Danish FSA. It is ensured that adequate staffing and financial resources are allocated for introductory and continuing training and education courses required for the Board of Directors. This also includes cases where the Board of Directors finds that knowledge and competencies are lacking in specific areas.

At least once a year, the Board of Directors shall assess the Board of Directors' overall competencies in order to ensure that the Board possesses the necessary competencies to operate in a proper and efficient manner. If the Board of Directors finds that competencies are lacking in certain areas, the Board of Directors shall find a solution to this, which may for example consist in the taking on a new Board member or providing additional training for existing Board members, where this training is sufficient according to the Danish FSA. As part of the self-evaluation, the Board of Directors shall:

- Identify the necessary Board competencies for the entire board taking into account the business model and risk profile.
- Assess the knowledge, professional competencies and experience of individual board members against the overall competence requirements.
- Evaluate the form of board work, working environment, management, quality and the Board of Directors' evaluation of the management.

B.3 Risk management system including the own risk and solvency assessment

The management appoints a key person, approved by the Board, for the risk management function who actively participates in the development of the risk management strategy. The key person ensures that the risk management function plans, performs and reports on the function's work in accordance with the policy and function description for risk management. The risk management key person must be consulted on all decisions deemed significant by the Board of Directors. The following types of decisions require consultation with the risk management key person:

- Decisions that lead to changes in policies, risk limits or business model.
- Investments that require the approval of the Board of Directors.
- Decisions that have a significant impact on the solvency margin.

Risk Management Function

The risk management function holds the following responsibilities:

- To maintain an overall updated overview of the company's risks.
- To ensure that the board of directors and the management have an adequate and reassuring basis for decision-making.
- To continuously assess whether the risk management and risk management system are appropriate.
- To ensure that all risks are correctly identified, measured, managed and reported.
- To ensure that the investments are managed in accordance with the Prudent Person Principle (PPP) defined in solvency II article 132.
- To advise the Management and the Board of Directors on risk management issues, including strategic matters such as business strategy, mergers and acquisitions and major projects and investments.
- Control and ensure the quality of capital requirements calculated by the actuarial function.

The management establishes specific guidelines for the work of the risk management function.
Furthermore, the risk management function must be organizationally and functionally separated from the units that take out and process insurance. The risk management function is therefore able to work independently and without conflicts of interest.

Own Risk Solvency Assessment (ORSA)

At least once a year, the Board of Directors shall conduct an ORSA process and document it. The Board of Directors shall also carry out an ORSA process if there are significant changes to the business model, risk profile, risk limits or budgets in relation to the most recently completed ORSA process. At a minimum, significant changes are deemed to include the following:

- Changed distribution channels or business partners
- Changed products or product options
- Changed geographic areas for sales
- Changed budgets for the strategic planning period
- A deviation of more than 5% between budgeted and realised gross premiums
- A deviation of more than 1 percentage point between budgeted and realised gross compensation percentage
- A deviation of more than 3 percentage points between budgeted and realised cost percentage
- A realised loss due to an operational incident exceeding DKK 10M
- Restructuring of the investment assets resulting in a change in the Solvency Capital Requirement to market risks in the standard formula of more than 10%
- Changed reinsurance program
- A decline in the financial markets resulting in a change in the value of total investment of more than 10%
- Changes in the quality and composition of the capital base that are not included in the most recent ORSA process
- Changed risk tolerance limits

The assessment of own risk and solvency (ORSA) shall be based on the current business model, risk profile and risk limits, as well as agreed budgets. The assessment shall be made based on "going-concern" and shall include an assessment of whether the calculated Solvency Capital Requirement (SCR) has taken sufficient account of the impact of all of the most significant risks for the next 12 months. The assessment shall also cover whether the company can comply with both the Solvency Capital Requirement and the Minimum Capital Requirement within a time frame of 12 months and for the strategic planning period used, however, a minimum of three years ahead. The assessment shall include the effect of possible changes in:

- The nature or quality of the elements of the capital base
- The risk profiles
- Risk limits and management
- The economic or financial environment
- Operational risks

For risks that are included in the standard model and where it is considered that these risks are sufficiently covered by this calculation, the corresponding solvency requirement shall be calculated using the standard model. For risks that are included in the standard model, but where it is considered that these risks are not adequately covered by this method, changes to the model must be considered. If the risks are more closely correlated than in the standard model, either a separate supplement corresponding to the difference shall be calculated. Alternatively, the risks in question are considered outside of the standard model and the corresponding solvency requirement is adjusted accordingly.

For operational risks, a comparison shall be made between the capital requirement separately allocated to this risk in the standard model, and the company's history of operational risk incidents and general risk catalogue. If the capital requirement from the standard model is less than the historical events or what is included in the general risk catalogue, the difference must be explicitly addressed.

B.4 Internal control system

The control system is designed with separation between the reporting functions and the organization, who takes on risk on behalf of the company. Management must ensure that the framework regarding controls is sufficient and appropriate to deal with the risks and potential impacts on the company, but meanwhile also taking into account the cost of the control in question.

The control framework is continuously updated and as a result of that, a meeting with all of the key functions is arranged, such that there is consistency with the annual plan of the board and the work of the key functions.
In relation to the system around 'Lines of defense' the control system can be described by the following:

- 1st line: The 'daily' business defined by documented processes and functions, which organization-wise is referring to the CEO.
- 2nd line: The key functions for risk management, compliance and actuarial refer to the CFO.
- 3rd line: The internal audit function will perform audit procedures to evaluate the efficiency of 2nd line– risk, actuarial and compliance. Organizationally, the Internal Audit is placed with the CFO.
- Behind all lines of defense, we have the external auditor, who is chosen at the annual general meeting. Currently, Deloitte is the external auditor.

Compliance function
The compliance function holds the following responsibilities:

- To ensure compliance with applicable legislation, which includes in particular compliance with the following:
    - Financial Business Act and all related executive orders
    - Solvency II Regulation (2015/35 / EU).
    - POG Regulation (2017/2358 / EU)
    - Personal Data Regulation (2016/679 / EU)
    - Act on insurance mediation
    - Act on Guarantee Fund for Non-life Insurance Companies

    - Act on public and private limited companies
- To maintain a compliance risk assessment and compliance plan.
- To continuously assess whether the measures taken to avoid non-compliance are sufficient.
- To prepare an annual compliance report to the Board of Directors. The compliance report must describe the reactions and initiatives that the previous year's compliance work has given rise to.
- To advise the Management and the Board of Directors on compliance with financial legislation.
- To assess the consequences of legislative changes.

B.5 Internal audit function

An Internal Audit function is established according to the Solvency II directive 2009/138, article 47, and Solvency II delegated act 2015/35, article 271.
The management appoints a responsible key person for internal audit. The internal audit function is currently Ane W. Præstekjær. The Internal Audit key person reports directly to the board´s audit committee, which guarantees independency from the management who is responsible for running the daily business. The key person for the Internal Audit cannot be responsible for any other key functions within Sundhedsgruppen and can only carry out work in Sundhedsgruppen related to Internal Audit activities. To the extent deemed necessary, including in order to obtain sufficient resources and independence, the Board of Directors may decide that the work of the internal audit function should be outsourced. The role of the key person for the internal audit function cannot be outsourced. The Internal Audit is responsible for setting up a yearly audit plan based on a risk-based approach. The audit plan takes into account the management system and considers all activities within the company. The Internal Audit function of is required to do the following:
- Continuously review internal control systems and governance processes and make sure that these are adequate and effective.
- Assess the performance of the other key functions and the performance of the internal controls described in B.5.
- Regularly report to the Audit Committee of the Board of Directors and, at least once a year, submit a written report on the function's controls, results and recommendations.
- Perform its work using a risk-based approach so that the areas that are assessed to have the greatest risks are reviewed first. However, the internal audit function must ensure that all parts of the internal control system etc. are treated over a period of three years.

B.6 Actuarial function

The tasks of the actuarial function are described in detail in the Executive Order on the management and control of insurance companies, among others, of 16/12/2015, Annex 8 and Commission Delegated Regulation (EU) 2015/35 regarding the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), Articles 19 and 272.

The actuarial function is responsible for verifying the calculation of the insurance provisions including ensuring the quality of the data. In addition, the actuarial function has been assigned several other tasks, which include commenting on the insurance risk policy and the preparation of actuarial reports for the management. The actuarial function shall ensure the correct and adequate calculation of the insurance provisions. The tasks of the function in calculating the insurance provisions include the following:

- Coordinating the calculation of the insurance provisions and ensuring that the calculations comply with the requirements of the legislation.
- Assessing uncertainties associated with the estimates that are included in the calculation of the provisions.
- Ensuring that methods, underlying models and assumptions used in calculating provisions are adequate.
- Assessing the adequacy and quality of data used for the calculation, including any limitations to the data used.
- Ensuring that the most relevant approximations are used to calculate best estimates if, in some cases, the data quality is not satisfactory.

- Ensuring that the most relevant approximations are used to calculate best estimates for those cases where the data quality is not satisfactory.
- Comparing best estimates with experience and assessing the uncertainties in the estimations.
- Ensuring that homogeneous risk groups are identified for insurance and reinsurance obligations in order to properly assess the underlying risks.
- Considering relevant information from the financial markets as well as generally available information on insurance risks and ensuring that it is included in the assessment of provisions.
- Ensuring that a proper assessment of options and guarantees is carried out in insurance and reinsurance contracts.
- Comparing and justifying any significant differences in the calculations from year to year.
- Supervising the calculation of the insurance provisions.
- Ensure correct calculation of capital requirements, cf. the Eiopa solvency II standard model.

In relation to the calculation of the insurance provisions, the actuarial function shall explain any significant consequence of changes in data, methods or assumptions between the timing of valuation of the insurance provisions. With respect to the IT systems, the actuarial function shall assess whether the IT systems support the actuarial and statistical procedures used for the calculation. The actuarial function shall ensure a strong and close dialogue with the parts of the business that receive and use the calculations regarding the insurance provisions, including claims, risk management and control activities.

The actuarial function shall express an opinion on insurance policy as well as an opinion on whether possible reinsurance programs are satisfactory. The actuarial function shall further inform the Executive Board and the Board of Directors whether the calculation of the insurance provisions is credible and adequate. The actuarial function shall furthermore contribute to the effective implementation of the risk management system, in particular with regard to the risk models that are used in the calculation of the capital requirements and the own risk and solvency assessment. The key person for the actuarial function shall ensure that business procedures and job descriptions are prepared for all relevant tasks in the actuarial function. At the end of the year, the actuarial function shall prepare a written actuarial report to the management summarizing the activities completed by the actuarial function as well as the derived results, recommendations and proposals.

B.7 Outsourcing

Outsourcing of critical or important operational functions or activities shall be decided by the Board of Directors. The following activities are deemed critical or important:

- Accounting functions and reporting
- Statement of the capital base and Solvency Capital Requirements
- Operation of IT Systems (including cloud services)
- Asset management and liquidity management
- Supports to Actuarial function
- Supports to Compliance
- Supports to Risk management
- Supports to Internal Audit
- Claims processing

The decision to outsource is made based on a recommendation from the management. The Board of Directors' responsibility for making sure that the outsourced task is completed (solved properly) cannot be outsourced. In order or the Board of Directors to make a final decision on outsourcing, the following should be available:

- An assessment of the extent to which the company can fulfil its regulatory and business obligations if the proposed outsourcing is carried out.
- Requirements for quality, reporting and follow-up of the outsourcing arrangement should be established and defined.
- A contingency plan: it must be described how the outsourced activities can be outsourced or moved to another supplier.

The management may outsource operational functions that are not considered to be critical or vitally important. When the management enters into an outsourcing agreement, the management shall perform the tasks otherwise carried out by the Board of Directors listed above. When the management recommends a supplier to the Board of Directors or independently enters into an outsourcing agreement, the management must ensure that:

- A detailed study is carried out to ensure that the potential service provider has the ability, capacity and any statutory authorization to provide the necessary functions or activities satisfactorily.
- The service provider has taken all measures to ensure that there are no expressed or potential conflicts of interest which will hinder the fulfilment of the health security needs.
- A written agreement is concluded between Sundhedsgruppen and the supplier, which clearly defines the company´s rights and the suppliers' respective rights and obligations.
- The outsourcing does not result in a breach of any law, in particular regarding data protection regulation.
- The supplier is subject to the same provisions regarding the security and confidentiality of information regarding the company Sundhedsgruppen, its policyholders or the beneficiaries that apply to the company.

If critical or important operational functions or activities are outsourced, the following requirements must be met:

- It shall be ensured that the relevant aspects of the service provider's risk management and internal control systems are sufficient to ensure that the outsourcing does not lead to a significant deterioration of the quality of the management system in Sundhedsgruppen. It shall also be ensured that the outsourcing does not lead to an unjustified increase in the operational risks.
- It must be ensured that the service provider has the necessary financial resources to perform the tasks properly and reliably and that all service provider employees who are engaged in the outsourced functions or activities are qualified and reliable.
- It must be ensured that the service provider has adequate contingency plans to deal with emergencies or business disruptions and that regular testing is done of the backup functions where necessary, considering the outsourced functions and activities.
- It must be ensured that outsourcing does not impair the ability of regulators to verify Sundhedsgruppen´s compliance.
- It must be ensured that the outsourcing does not prevent Sundhedsgruppen from continually offering satisfactory service to policyholders.

The written agreement concluded between the company (i.e. Sundhedsgruppen) and the supplier shall include the following:

- The duties and responsibilities of both parties.
- The supplier's obligation to comply with all applicable laws, regulatory requirements and the company's policies and guidelines, as well as a cooperation with the Danish FSA with respect to the outsourced activities.
- The obligation of the supplier to disclose any incident that may have a significant impact on its ability to perform the outsourced activities effectively and in accordance with the applicable laws and regulatory requirements.
- A notice of termination of the contract by the supplier, which is sufficiently long to enable the company to find an alternative solution.
- The company must be able, if necessary, to terminate the contract without interrupting or impairing the quality of the supply of services and benefits to policyholders.
- The company shall reserve the right to be informed about the outsourced activities and the supplier's execution thereof, as well as the right to issue general guidelines and individual instructions to the supplier in respect of taking it into account when performing the outsourced activities.
- The supplier must protect any possible confidential information regarding the company and its policyholders, employees, contracting parties and all other persons.
- The company, its external auditor and the Danish FSA shall have effective access to all information on the outsourced activities, including for the purposes of carrying out checks at the premises of the supplier.
- The Danish FSA shall, where appropriate and necessary for supervision, be able to ask questions directly to the supplier, to which the supplier must respond.
- The supplier's duties and responsibilities under the agreement must not be affected by further outsourcing.

The management shall report regularly to the Board of Directors on the outsourcing of the critical or important areas of activity in order for the Board of Directors to continuously and actively assess whether the outsourcing activity is being resolved satisfactorily and in accordance with applicable legislation. As a minimum, reporting shall be at least at each Board meeting. As a minimum, reporting at the Board meetings
shall include:

- Information on the supplier's fulfilment of specific objectives in the agreement.
- Information about any possible failures from the supplier in terms complying with the agreement.
- Information about the supplier's compliance with the applicable rules in the specific outsourcing area.

The management is required to continuously monitor the supplier's compliance with the obligations in the outsourcing agreement and take appropriate measures if the supplier does not comply with the outsourcing agreement and the applicable law. The management must immediately report to the Board of Directors if the supplier fails to meet the obligations in the outsourcing agreement.

B.8 Any other information

No additional information.

C. Risk Profile

Sundhedsgruppen takes as an insurance group a number of risks, among these the underwriting risk connected to the core of their insurance business – to support the customers in resolving their health-related issues. On top of this, Sundhedsgruppen takes financial risks concerning the liquidity and investment strategy as well as a number of operational risks, which Sundhedsgruppen is exposed to. Managing the risks of running an insurance group is a primary management focus area as uncontrolled risks can cause negative financial movements. Risk management issues are therefore discussed on a regular basis, and tools are in place to qualitatively and quantitatively measure and handle identified risks.

Furthermore, the board assess the greatest risks as part of the own risk and solvency assessment (ORSA) once a year. The data used in the assessments is already well-established as DSS was acting as an MGA for many years and has during that time focused on having solid and enabling data.

As this the first year where a SFCR is produced for Sundhedsgruppen, there are still many areas, which do not have concrete numbers. In the years to come, Sundhedsgruppen will develop the business further, and the same holds for reporting – including this SFCR.

C.1 Underwriting risk

The underwriting risk for Sundhedsgruppen corresponds to the underwriting risk for DSS, since DSS is the only subsidiary of Sundhedsgruppen that has a license to write insurance. This section describes therefore the underwriting risk for DSS.

Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments. DSS has identified the following main areas of underwriting risk:

- Premium risk
- Claims provision risk
- Catastrophe risk
- Risks of changing of medical assessment and diagnostic practices
- Damage inflation

Premium risk is defined as the risk that expenses for damages and costs exceed the premium income. The risk is measured by continuously assessing the insured's risks and the claims incurred. To the extent deemed necessary, the risk must be reduced using reinsurance.

Claims provision risk is measured by comparing observed and expected outcomes and monitoring of indicators for treatment choices. The actuarial function is responsible for calculating risks associated with provisions. The actuary must report regularly and report to the Management and the Board of Directors on developments regarding claims provision risk at least every quarter.

Catastrophe risk is defined by DSS as the risk of extreme incidents, including primarily health incidents, natural disasters, terrorist events and the risk of major injuries. To the extent deemed necessary, catastrophe risk must be reduced using reinsurance.

Risks of changing medical assessment and diagnostic practices in connection with treatment can be defined as a risk of a modification in a health assessment in the context of the injury treatment. The importance of altered practices may result in that the previously used development triangles by DSS being no longer true to the claims provisions. The risk is mitigated by continuously updating DSS´s claims handlers on recent practices and informing the management of changes in practice that may affect the course and treatment of the injury.

To mitigate the underwriting risk the management is quarterly required to report the following key figures to the Board of Directors:

- Covered premiums
- 12-month budget
- New coverages
- Conversion rates
- Reported injuries
- Open claims
- Closed claims
- Damage payments
- Claims provisions
- Injury history
- All major damages - major damages are defined as damages that are expected to be over DKK 500,000.

Using the key figures above the Board of Directors must make a thorough assessment of whether the identification of the company's underwriting risks is correct at least once a year.

As DSS has only just received license to conduct direct health insurance the current exposure is 0. The expectation is that DSS upon receiving their license will have approximately DKK 500M in yearly premiums. Overall, the product sold by DSS is high frequency with regards to claims. The severity is, however, expected to be very low, resulting in single exposures not being relevant. DSS has currently no reinsurance protection meaning that their gross exposure is equal to their net exposures. DSS's maximum possible net exposures undertaken is set by the Board of Directors as a yearly maximum of DKK 1.0M per insured and coverage of three months runoff on claims. DSS is currently compliant with this policy.

Underwriting risk concentration
DSS continuously measures the concentration of risks by identifying the sources of concentrated risks.
Currently, the DSS Board of Directors has identified the following potential sources of risk concentration:

- Customer Concentration
- Geographic concentration
- Industry concentration
- Disasters, including health disasters
- Supply of products

DSS has a spread in the insurance portfolio where the location of the insured is spread across many companies, both geographically and in industry. The most significant concentration risks of DSS are the risk of health disasters, which have, however, been rare. In view of this and in view of DSS's narrow range of insurance products, there is a minimal risk of risk concentration.

C.2 Market risk

Market risk covers risks related to changes in the market such as interest rate risk, currency risks, etc. triggered by macroeconomic/market events, which lead to changes in the price of financial assets and currencies. The Board of Directors has identified the following categories of market risk:

- Interest rate risks (including changes in a yield curve and spread risks)
- Currency risks
- Equity risks
- Commodity risks
- Risks from property investment

To mitigate market risk a clear investment strategy is followed which is documented in the policy for investment risk. The investment policy states that the capital must be invested in order to achieve stable returns and low risk that can correspond to the company's insurance liabilities. The investments are done in highly liquid instruments.

To mitigate currency risk Sundhedsgruppen has a limit on the fraction of the company's total investment assets (excluding restricted cash that may be invested) and cash equivalents that can be invested in certain currencies. The limit on the fraction of total investment assets in different currencies is displayed in the table below.

Currency	Limit
DKK	No limit
EUR	25 %
USD	0 %
GBP	0 %
CHF	0 %
SEK	10 %
NOK	0 %
Other	0%

To further mitigate market risk Sundhedsgruppen´s policy for investment risk also includes regulations for what types of asset classes the company invests in. These are listed in the table below.

Asset class	Investment policy
Bonds	The Board of Directors allows investments in Danish mortgage bonds and government bonds mentioned in the list in the Board of Directors' instructions to the management.
Stocks	The Board does not allow investments in stocks.
Property	The Board does not allow investments in property.
Commodities	The Board does not allow investments in commodities.
Alternative Investments	The Board does not allow alternative investments.
Other	The Board does not allow investments in other asset classes.

For each investment, a benchmark is defined that reflects the investment's characteristics in terms of risk and return. The following table displays the benchmark is used when evaluating the return on DSS 'investment activities.

Asset class	Benchmark (weight in %)
Mortgage and government bonds	Nordea CM 3 Govt. (50%)
	Nordea CM 3 Govt. (50%)

Sundhedsgruppen is compliant with its investment policy. The current investments can be found in section D.1.

Since Sundhedsgruppen exclusively invests in a select range of Danish government and mortgage bonds the overall market risk for the company is low. The largest market risk is the inherent interest rate- and inflation risk that comes with a portfolio consisting of only fixed-income investments. To mitigate the inflation- and interest rate risk the management is required to continuously asses and quantify the market risk that the business model gives rise to.

C.3 Credit risk

The credit risk for Sundhedsgruppen covers default risk as a result of having a loan/bond portfolio, and counterparty risk related to having a custodian, bank, etc. The main trigger is bankruptcy of a counterparty or in the loan portfolio. A change in the rating of one of Sundhedsgruppen's held bonds or counterparties is also regarded as a trigger by the Board of Directors. The Board of Directors mitigates credit risks through specific guidelines for acceptable credit ratings and amount limits for deposits with banks. The company places a maximum of 5 % of the investment assets of an asset which is dependent on the same company/debtor. Furthermore, the company has established minimum ratings/geographic limits for counterparties within, bonds, equities and financial institutions. Excess liquidity may be placed in the following financial institutions (with a maximum of DKK 50M in each institution):

- Danske Bank A/S
- Jyske Bank A/S
- Sydbank A/S
- Nordea

The credit risk also includes the risk that policyholder do not pay the agreed premiums. The risk is mitigated by requiring the prepayment of premiums. In the event that the policyholder does not pay after receiving reminders, the insurance contract must then be terminated.

Sundhedsgruppen´s largest counterparties are Sydbank and Nordea which both have a Moody’s credit rating of A.

C.4 Liquidity risk

Liquidity risks are defined as the risk that Sundhedsgruppen will not be able to meet its financial obligations in the short term. The Board of Directors has identified the following sources of liquidity risk:

- Liquidity being tied up in assets that are illiquid, e.g. fixed assets or unlisted shares
- Having too many reports of injuries at the same time due to too high concentration and / or cumulative risk
- Large prepayments
- Large receivables
- There being a large value gap between purchase and sale transactions when settling securities transactions.
- Investing client funds in illiquid assets.

Overall, the Board of Directors seeks for the liquidity risk to be kept at a low level. Accordingly, the company must always have a sound liquidity reserve and a sound financing structure. The responsibility for investing the company's funds lies with the CFO, who prepares a liquidity budget on a quarterly basis with ongoing follow-up. If there are significant developments in the portfolio of customers, the budget must be updated. Sundhedsgruppen measures its liquidity risks at the liquidity outflow. Sundhedsgruppen has thus established a minimum framework of 1 month's normal operating administration costs and insurance benefits in the policy for liquidity risk management. The framework must be calculated on a monthly basis and approved by the key person for the risk management function. In order to avoid violating the minimum requirement for liquidity, the Executive Board must manage according to an objective of having liquidity for 2 months of normal operation. Sundhedsgruppen is currently compliant with the liquidity requirements set out by the Board of Directors. Furthermore, the company's business model only gives rise to limited liquidity risks, having regard for the following observations:

- Stable **inflow** of liquidity
- Stable and predictable premium payments in DSS
- Customers comply with payment deadlines
- There is a growth in premiums that are prepaid, hence liquidity will be constantly coming in

- Predictable **outflow** without major fluctuations
- The majority of Sundhedsgruppen payments are characterized by a high frequency and low amounts
- The outflow is therefore stable and predictable
- The largest pay-out due to a single event was approximately DKK 100,000 in 2018

- Good **governance**

- Sundhedsgruppen has prepared management documents to manage the liquidity risk
- Sundhedsgruppen has a control setup for the ongoing control of liquidity risk

The observations above, coupled with the current liquidity balance, imply that Sundhedsgruppen´s liquidity risks are low.

C.5 Operational risk

Operational risks refer to the risk of loss due to inappropriate or defective internal procedures, human error and systemic errors or as a result of external events, including legal risks. The management defines the following types of operational incidents:

- Minor incidents: Loss (or potential loss) below DKK 25,000
- Between events: Loss (or potential loss) between DKK 25,000 – 100,000
- Major incidents: Loss (or potential loss) over DKK 100,000.

The Board of Directors has identified the sources of operational risks listed in the table below.

Area	Operational risk source	Risk assessment
Internal conditions	Human and system errors in the handling of injury claims.	Medium
Internal conditions	Human and system errors when issuing tenders for new policies.	Medium
Internal conditions	Mistakes made the processing of claims resulting in either an aggravation of the damage or an increase in liability.	Medium
Internal conditions	Breakdown on internal systems.	Low
External relations	Mistakes made in outsourced functions within administration and IT.	Low
External relations	Errors in date from external sources.	Low
External relations	DSS relies on subcontractors, which involves natural operational risks.	Low
Organizational Risks	The risk of loss due to the resignation of key employees.	Low
Organizational Risks	The risk of loss in the absence of separation of functions and adequate internal controls.	Low
Legal risks	Errors in interpreting the legal practice for a type of damage.	Low
Legal risks	The risk of loss arising from acts which are contrary to Danish employment law.	Low
Legal risks	Breach of the financial legislation which gives rise to costs for DSS.	Low
Legal risks	Breaches of GDPR provisions that give rise to costs for DSS.	Low
Physical security	The risk of loss due to inadequate safety procedures.	Low
Accidents and natural disasters	The risk of losses arising from accidents and natural disasters.	Low
Fraud (internal and external)	The risk of loss as a result of deliberate actions by an internal or external party with the intention of fraud, theft, circumvention of legislation, etc. resulting in damage to Sundhedsgruppen and/or a third party.	Low

The Board of Directors seeks for the Sundhedsgruppen administration to limit the identified operational risks through controls and procedures. A low level of the identified risks is permitted by the Board of Directors, as it is deemed necessary in order to implement the desired business model. All major operational incidents must result in a plan of compensatory measures to avoid subsequent similar incidents. It is the Board of Directors' aim that the average annual losses, or potential losses, due to necessary operational risks are below 200.000 kr.

C.6 Other material risks

There are no other material risks.

C.7 Any other information

All material information is included in the sections above.

D. Valuation for Solvency Purposes

D.1 Assets

The assets as of 31st December 2020 consist of:

DKK M (31.12.2020)	Statutory values	Solvency II	Difference
Intangible assets	29.1	-	-29.1
Property, plant and equipment held for own use	14.2	14.2	-
Bonds	119.6	119.6	-
Cash and cash equivalents	43.5	43.5	-
Receivables from affiliated companies	10.1	10.1	-
Other receivables	67,0	67,0	-
Tax assets	1.6	1.6	-
Accruals and deferred income	29.3	29.3	-
Total assets	**314,4**	**285.3**	**-29.1**

The assets are valued and recognized in the Solvency II balance sheet at fair value using the same principles as for the statutory accounts. The intangible assets are set to zero in the Solvency II balance sheet in accordance with the Solvency II requirements.

D.2 Technical provisions

The value of the technical provisions is determined in accordance with the Solvency II directives article 77, as best estimate plus a risk margin. Sundhedsgruppen has no technical provisions as of 31st December 2020 due to the fact that its only subsidiary that holds an insurance license is DSS and DSS was first approved as insurance company medio December 2020. There are no reinsurance agreements in place such that the gross technical provisions equal the net technical provisions.

DKK M, 31.12.2020, gross	Statutory values	Solvency II	Difference
Health – claim provision	-	-	-
Health – premium provisions	-	-	-
Risk margin	-	-	-
Total technical provisions	**-**	**-**	**-**

Claim provision

The claim provisions under statutory accounting are calculated using actuarial models and methods that are built on historical data regarding claims – in particular data from when DSS was an MGA. DSS has not made any significant change in the way to calculate the technical provisions compared to earlier periods.

The Solvency II claim provisions correspond to the discounted statutory claim provisions. The discounting is based on EIOPA's risk-free interest curves without volatility adjustment.

There are no reinsurance agreements in place such that the gross claim provisions equal the net claim provisions.

Premium provision
Under statutory accounting, premium provisions are set aside according to pro rata temporis principle based on the gross premium of each contract. DSS does not include future profit in the calculation of the premium provisions which is the standard approach in the Danish market.

The Solvency II premium provision correspond to the discounted statutory premium provisions. The discounting is based on EIOPA´s risk-free interest curves without volatility adjustment.

Risk margin
The risk margin is calculated in accordance with Article 37 of the Commission Delegated Regulation. The risk margin is seen as a cost of capital for a third party when taking over the company's portfolio of liabilities.
The risk margin is calculated as the product of the 1-year discounted SCR, cost of capital (at 6%) and duration (at present this is rated at 1).

D.3 Other liabilities

The following table shows the other liabilities as per 31st of December 2020.

DKK M (31.12.2020)	Statutory values	Solvency II	Difference
Other liabilities	-	-	-
Other payables	132	132	-
Tax payables	0	0	-
Tax liability	0.2	0.2	-
Accruals and deferred expenses	37.3	37.3	-
Total Other liabilities	**169,5**	**169,5**	**-**

There are no differences between statutory and Solvency II values for the other liabilities.

D.4 Alternative valuation method

No alternative valuation methods are used.

D.5 Any other information

All material information regarding the valuation for solvency purposes is disclosed in the above sections.

E. Capital Management

E.1 Own funds

The own funds under Solvency II is equal to the statutory equity less intangible assets.
The own funds are classified after Solvency II as tier 1 capital and is equal to DKK 137.5M at the end of 2020.

DKK M	31.12.2020	31.12.2019	Difference
Ordinary share capital	136,5	Na	Na
Accumulated profit	7,3	Na	Na
Intangible assets	-29.1	Na	Na
Total own funds	**115.7**	**Na**	**Na**

Sundhedsgruppen aims to keep the own funds a stable to ensure a healthy solvency ratio, which as of 31st of December was 185 %.
Sundhedsgruppen has lined up precautions in case the capital position is challenged. This is qualified through a management tracking of the capital position and the means available is classified as being either in the green, yellow or red zone.

It’s prioritized that Sundhedsgruppen continuously has enough capital to deliver on the strategy.
Increase in own funds will come from retained earnings, and Sundhedsgruppen projections show that in an average performing year Sundhedsgruppen should be able to increase its solid own funds.
The underlying insurance business in Sundhedsgruppen has showed in the past to be quite stable (when DSS was an MGA) and due to the conservative investment strategy, Sundhedsgruppen do not expect a high volatility.

The conclusion is due to the stable insurance and operational risk, even in case of smaller changes, there should be enough capital to cover the solvency requirement.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Sudhedsgruppen uses Method 1 in accordance with Article 230 in the Solvency II Directive to calculate the group solvency, that is the group solvency is calculated based on consolidated accounts.
DSS is the only subsidiary of Sundhedsgruppen that has an insurance license and DSS´s proportional share used for the group solvency calculation is 100 %. The proportional share of the solvency capital requirement for the other subsidiaries is zero.
Sundhedsgruppen does not use any company specific parameters or simplified calculations in the calculation of the solvency capital requirement (SCR) and the minimum capital requirement (MCR).

DKK M	31.12.2020	31.12.2019	Difference	Difference in %
Market risk	3.7	Na	Na	Na
Counterparty	1.2	Na	Na	Na
Health underwriting risk	60.0	Na	Na	Na
Non-life underwriting risk	-	Na	Na	Na
Life underwriting risk	-	Na	Na	Na
Diversification	-3,6	Na	Na	Na
Basic SCR	**61.4**	Na	Na	Na
Operational risk	1.0	Na	Na	Na
LACDT	-	Na	Na	Na
SCR	**62.4**	Na	Na	Na
Available capital	**115.7**	Na	Na	Na
Solvency ratio	**185 %**	Na	Na	Na
MCR	**18.6**	Na	Na	Na

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Sundhedsgruppen does not use the sub-module for maturity-based equity risks for calculating the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

Sundhedsgruppen uses the Solvency II standard model to calculate the solvency capital requirement. At the moment, Sundhedsgruppen assesses this to be the most suitable model to calculate the risk of its business.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Sundhedsgruppen has a goal of having a solvency ratio of at least 150 %. As of 31st of December the solvency ratio was 185 %. Sundhedsgruppen does not see any funding issues.

E.6 Any other information

All material information regarding the capital management is disclosed in the above sections.