# Forsikringsselskabet Dansk Sundhedssikring A/S

Solvency and Financial Condition Report
Financial Year 2024

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# Executive Summary

Forsikringsselskabet Dansk Sundhedssikring A/S (hereafter DSS) is a Danish non-life insurance company with a focus on health-related insurance products. The main focus of business is to offer health insurance to citizens registered in the Scandinavian region (Sweden, Norway, Denmark). Currently, DSS has a permission to sell insurances in the geographical areas Denmark and Sweden.

DSS helps insureds resolve their health problems, by offering clinically proven treatment according to national standards. This includes physiotherapy, chiropractic, psychology, acupuncture, reflexology, massage and treatment at private hospitals. DSS ensures that all claimants 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 occasionally advises customers on health-related problems not covered by the insurance policy.

In 2024 the gross written premium amounted to TDKK 860,252 and net earned premium amounted to TDKK 788,894. The technical result for 2024 derived at TDKK 117,524.

The Solvency Capital Requirement on 31 December 2024 was TDKK 143,505 and the eligible own funds to meet the SCR amounted to TDKK 294,811, corresponding to a solvency ratio of 205%.

# A. Business and Performance

## A.1 Business

**Forsikringsselskabet Dansk Sundhedssikring A/S**

| | |
|---|---|
| Address: | Hørkær 12 B<br>2730 Herlev<br>Denmark |
| Legal form: | Limited Company |
| Supervisory authority: | Finanstilsynet (Danish FSA)<br>Århusgade 110<br>2100 Copenhagen<br>Denmark |
| External auditor: | Deloitte<br>Weidekampsgade 6<br>2300 Copenhagen<br>Denmark |
| Ownership: | Fully owned by Oona Health A/S. |
| Industry: | Non-life insurance, currently restricted to:<br>Insurance class 1. Accident<br>Insurance class 2. Sickness<br>(DSS's license does not include insurance of work-related accidents or diseases). |
| Geography: | Denmark and Sweden. |

## A.2 Underwriting Performance

The following table shows the profit and loss statement as per 31 December 2024:

| DKK mill. | 2024 | 2023 |
|---|---|---|
| Premiums | 788.9 | 703.8 |
| Claims incurred | -528.6 | -504.6 |
| Insurance result | 117.5 | 87.8 |
| Investment result | 20.7 | 14.9 |
| **Profit before tax** | **155.6** | **103.0** |
| Tax | -40.7 | -26.2 |
| **Profit after tax** | **114.9** | **76.8** |

## A.3 Investment Performance

DSS had a positive investment result of DKK 20.7 mill. due to positive value adjustment on bonds and interest income from bonds.

| DKK mill. | 2024 | 2023 |
|---|---|---|
| **Income from investments in affiliated companies** | 0.0 | 0.0 |
| **Income from Bonds** | 21.3 | 14.9 |
| **Total investment income** | **21.3** | **14.9** |

DSS 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 2024, DSS had DKK 46.6 mill. in other income. This income is mainly related to TPA (Third-Party Administrator), where DSS handle administrative tasks for insurance providers. The tasks are mainly policy administration and claims handling.

Other costs ended up at DKK 29.2 mill. and are mainly costs related to TPA business.

## A.5 Any other information

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

# B. System of Governance

## B.1 General information on the system of governance

DSS Board of Directors should consist of five members. Peter Hermann is Chairman of the Board.

The Board of Directors shall be composed in such a way that it possesses a diverse set of competences in relation to directing a non-life insurance company. 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 oversees the overall management of DSS's affairs in collaboration with the Executive Board and is accountable to the General Meeting.

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

### *Executive Board*

DSS is led by the Executive Board, which is headed by the CEO. The responsibility for daily operations is shared among the CEO, CFO, COO, CCO, CTO and CPO.

- The CEO has overall responsibility for the company's direction and development. The CEO oversees product reporting and works closely together with the management team and the four key functions.
- The CFO manages the Finance & Accounting department, as well as Financial Reporting & Compliance.
- The COO has the responsibility for the health and customer teams.
- The CCO is responsible for the sales department and managing relationships with the distribution network.
- The CTO handles IT operations, which includes both developments of IT systems to execute the business strategy as well as daily operations tasks.
- The CPO is in charge of Business Development, Product Management and Underwriting & Analytics.

Each department at DSS is led by a manager who reports to one of the executive members: CEO, CFO, CTO, COO. CCO or CPO.

### *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*

DSS's remuneration policy and practices related to remuneration are described in the remuneration policy and have the purpose to ensure and promote sound and effective risk management and prevent excessive risk-taking that exceeds the company's risk-tolerance limits.

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. 591, 27/05/2024*),

- *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 DSS as a whole and contains specific arrangements for the Board of Directors, the Executive Board and other employees of DSS whose activities have a significant impact on the risk profile of DSS.

DSS ensures that remuneration is made in accordance with *Executive Order No 591 of 27/05/2024*, and to avoid and control remuneration to significant risk takers, the Board of Directors establishes and prepares a summary of significant risk-takers in DSS. This overview is reviewed at least once a year.

No Board members receive compensation.

## B.2 Fit and proper requirements

DSS's fit and proper requirements ensure that all individuals who play a key role in managing the company or holding key functions comply with the standards outlined in the Solvency II Directive (DIRECTIVE 138/2009/EC)
To meet these requirements, members of the Board of Directors and individuals responsible for key functions at DSS must:

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

***Additional requirements for key functions and the Board of Directors***

- Key Functions: In addition to the general fit and proper requirements, specific competency requirements for the persons responsible for each key function are outlined in the respective function descriptions.
- Board of Directors: In addition to the general fit and proper requirements, Board members must complete a basic training course covering the essential competencies needed to fulfil their duties. This course must be completed within 12 months of joining the Board and must be provided by a Danish FSA-approved provider.

DSS is responsible for allocating sufficient staffing and financial resources to ensure that Board members receive the necessary introductory and continuing training. This includes cases where the Board identifies knowledge gaps in specific areas.

***Annual Competency Assessment of the Board of Directors***

At least once a year, the DSS Board of Directors must assess its overall competencies to ensure it has the necessary expertise to manage DSS efficiently. If competency gaps are identified, the Board must take appropriate action, such as:

- Recruiting a new Board member with the required expertise.
- Providing additional training for existing Board members, in accordance with Danish FSA requirements.

As part of the self-evaluation, the Board of Directors shall:

- Identify the key competencies required for the board, based on DSS's business model and risk profile.
- Assess the knowledge, professional skills, and experience of individual board members against DSS's overall competency requirements.
- Evaluate the structure and effectiveness of board operations, including the working environment, management quality and the Board's assessment of executive management.

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

DSS management appoints a key person - approved by the Board - to lead the risk management function. This person plays an active role in developing the company's risk management strategy and ensures that the risk management function operates effectively and reports on the function's work in accordance with the policy and function description for risk management. The key person for the risk management function must be consulted on all decisions deemed significant by the Board of Directors. To maintain objectivity and impartiality, the key person must have the necessary independence and must not be involved in operational activities that could create conflicts of interests.

Decisions requiring consultation with the risk management key person:

- Changes to policies, risk limits or the business model.
- Investments requiring approval of the Board of Directors.
- Decisions with significant impact on the solvency margin.

### *Risk Management Function*

DSS' risk management function at DSS is responsible for:

- Maintaining an up-to-date overview of the company's risks.
- Ensure that the board of directors and management have a solid and reliable basis for decision-making.
- Continuously assessing whether DSS's risk management framework and system remain appropriate.
- Ensuring that risks at DSS are accurately identified, measured, managed and reported.
- Overseeing that DSS's investments comply with the prudent person principle (PPP) as defined in solvency II article 132.
- Advising the management and the Board of Directors on risk-related matters, including strategic decisions such as business strategy, mergers and acquisitions and major projects or investments.
- Reviewing and ensuring the accuracy of capital requirement calculations, which are prepared by the finance department and verified by the actuarial function.
- Ensuring that capital requirements are correct calculated in accordance with the EIOPA solvency II standard model.

### *Risk Management Function*

DSS's management sets specific guidelines for the risk management function's operations. To maintain independence and avoid conflicts of interest, the Risk Management Function must be organisationally and functionally separate from the units responsible for underwriting and claims processing. This separation ensures that risk management activities are carried out objectively and without undue influence.

### *Own Risk Solvency Assessment (ORSA)*

The DSS Board of Directors shall conduct and document an Own Risk and Solvency Assessment (ORSA) process at least once per year. Additionally, an ORSA process must be carried out whenever significant changes occur in DSS's business model, risk profile, risk limits or budgets compared to the most recently completed ORSA process.

At a minimum, significant changes include the following:

- Changes in products or product options
- Expansion or changes of geographic sales areas
- Changes to budgets for the strategic planning period
- A deviation of more than 10 percent between budgeted and realised gross premiums
- A deviation of more than 5 percent point between budgeted and realised gross claims percentage
- A deviation of more than 3 percent points between budgeted and realised cost percentage

- A realised loss due to an operational incident exceeding DKK 10 million
- Restructuring of investment assets resulting in a change in the Solvency Capital Requirement for market risks, as calculated in the standard formula of more than 10 percent
- Changes to the reinsurance program
- A decline in financial markets leading to a change in the value of total investments by more than 10 percent
- Changes in the quality and/or composition of the capital base that are not included in the most recent ORSA process
- Adjustments to risk tolerance limits

The own risk and solvency assessment (ORSA) shall be based on DSS's current business model, risk profile and risk limits, and agreed budgets. The assessment shall be conducted on a “going concern” basis and will include an evaluation of whether the calculated Solvency Capital Requirement (SCR) sufficiently accounts for the impact of the most significant risks over the next 12 months. Additionally, the assessment will cover whether DSS can meet both the Solvency Capital Requirement and the Minimum Capital Requirement within a time frame of 12 months as well as a period corresponding to the strategic planning period used by DSS, however, a minimum of three years ahead.
The assessment shall consider the potential impact of possible changes in:

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

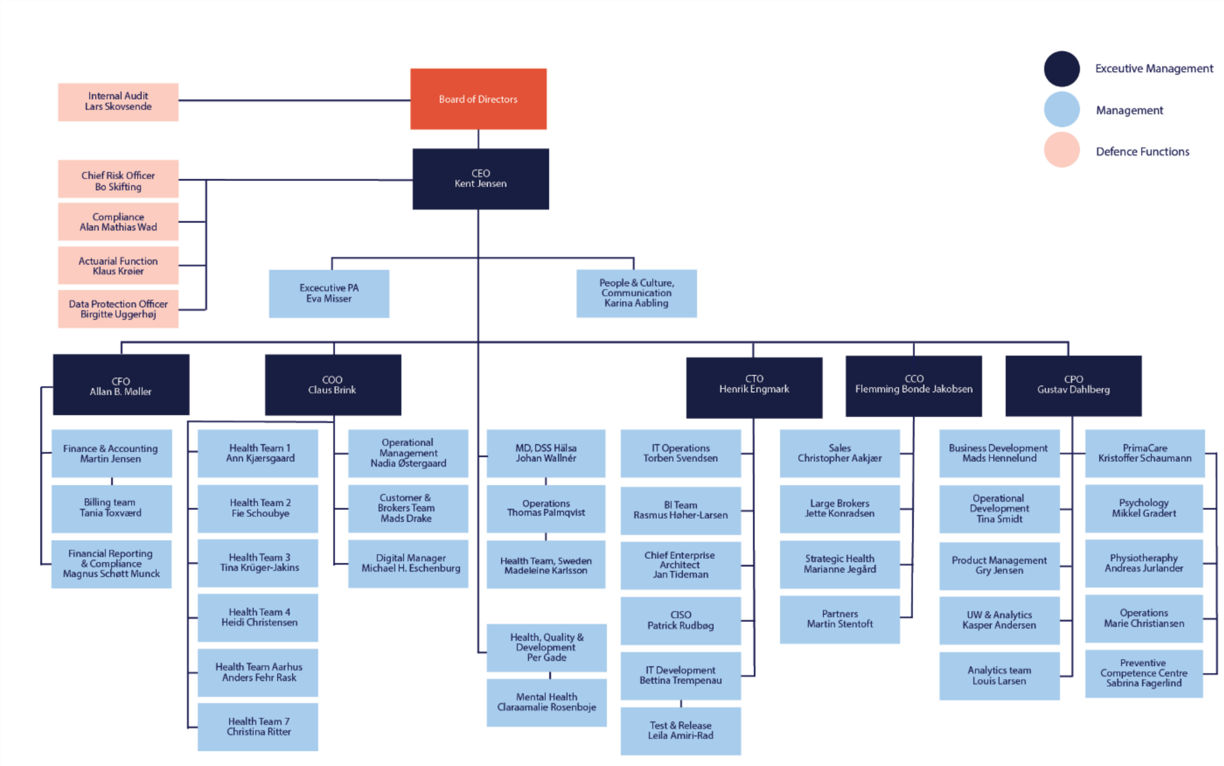
For risks included in the standard model and if DSS believes that these risks are sufficiently covered by this calculation, the corresponding solvency requirement shall be calculated using the standard model. If DSS deems the standard model inadequate for certain risks, adjustments must be made. In cases where risks are more closely correlated than in the standard model, a separate supplement should be calculated to account for the difference. Alternatively, these risks may be treated outside the standard model, and the corresponding solvency requirement adjusted accordingly.

Regarding operational risks, DSS will compare the capital requirement allocated to this risk in the standard model with the company's historical operational risk incidents and general risk catalogue. If the capital requirement in the standard model is lower than what the company’s history or general risk catalogue suggests, the difference must be explicitly addressed.

## B.4 Internal control system

DSS’s control system is designed to ensure a clear separation between reporting functions and the units responsible for taking on risk on behalf of DSS. Management is responsible for ensuring that the control framework is both adequate and effective in addressing risks and their potential impacts on DSS, while also considering the cost-efficiency of each control measure.

The organisational structure is outlined below:




DSS continues to enhance its control framework. As part of this effort, a meeting with all key functions has been arranged to ensure alignment between their work and the Board's annual plan.

In relation to the 'Lines of defence' model, DSS's control system is structured as follows:

- 1st Line of Defence: The day-to-day business operations, governed by documented processes and functions, fall under the responsibility of CEO Kent Jensen.

- 2nd Line of Defence: The key functions - Risk Management, Compliance and Actuarial – also report to the CEO, Kent Jensen.

    - The Risk Management Function is led by Chief Risk Officer (CRO) Bo Skifting.
    - The Actuarial Function is overseen by Klaus Krøier.
    - The Compliance Function is overseen by Alan Matthias Wad

- 3rd Line of Defence: The Internal Audit Function evaluates the effectiveness of the 2nd Line of Defence (Risk Management, Actuarial and Compliance).

    - Internal Audit is organisationally placed under the CEO, with Lars Skovsende as the key person.

- External Oversight: Beyond these three lines of defence, DSS is also subject to external auditor, conducted by an independent auditor appointed at the Annual General Meeting. Currently, Deloitte serves as DSS's external auditor.

## B.5 Compliance function

The DSS Compliance Function is responsible for ensuring that DSS operates in full compliance with applicable legislation. Its key responsibilities include:

- Regulatory Compliance: Ensuring adherence to relevant laws and regulations, including:
  - The Financial Business Act and related executive orders
  - Solvency II Regulation (2015/35 / EU).
  - POG Regulation (2017/2358 / EU)
  - General Data Protection Regulation (GDPR) (2016/679 / EU)
  - Act on insurance mediation
  - Act on Guarantee Fund for Non-life Insurance Companies
  - Act on public and private limited companies

- Maintaining a compliance risk assessment and compliance plan.
- Continuously evaluating whether DSS's compliance measures are effective and sufficient.
- Preparing an annual compliance report for the Board of Directors, detailing key actions, reactions and initiatives from the previous year's compliance work.
- Advising Management and the Board of Directors on financial legislation compliance.
- Assessing the impact of legislative changes on DSS.

## B.6 Internal audit function

DSS has established an Internal Audit Function according with the Solvency II directive 2009/138, article 47, and Solvency II delegated act 2015/35, article 271.
DSS management appoints a responsible key person for Internal Audit, currently Lars Skovsende. The Internal Audit key person reports directly to the Board´s Audit Committee, ensuring independency from management, which is responsible for day-to-day operations. To maintain this independence, the Internal Audit key person cannot hold any other key functions within DSS and may only perform tasks related to Internal Audit.
If necessary, the Board of Directors may decide to outsource Internal Audit activities to ensure sufficient resources and independence. However, the role of key person Internal Audit cannot be outsourced.

### *Responsibilities of the Internal Audit Function*

The Internal Audit function is responsible for:

- Reviewing internal control systems and governance processes to ensure they are adequate and effective.
- Assessing the performance of other key functions and evaluating the internal controls described in B.5.
- Reporting regularly to the Audit Committee of the Board of Directors and submitting a written report at least once a year, detailing audit findings, controls results and recommendations.
- Conduct audits using a risk-based approach, prioritising areas with the highest risks while ensuring that all aspects DSS's internal control system are reviewed within a three-year cycle.

## B.7 Actuarial function

The responsibilities of the actuarial function are outlined in the Executive Order on the Management and Control of Insurance Companies (16/12/2015, Annex 8) and the Commission Delegated Regulation (EU) 2015/35 (Solvency II), Articles 19 and 272.

The actuarial function is primarily responsible for verifying the calculation of insurance provisions, ensuring the quality of data, and performing additional key tasks, including evaluating the insurance risk policy and preparing actuarial reports for DSS management.

### *Key Responsibilities*

The actuarial function ensures the accurate and adequate calculation of the insurance provisions by:

- Coordinating the calculation of the insurance provisions and ensuring compliance with regulatory requirements.
- Assessing uncertainties in estimates used for the calculation of provisions.
- Ensuring the appropriateness of methods, models and assumptions applied in the calculations.
- Evaluating the adequacy and quality of data used in the calculation, including identifying any data limitations.
- Applying relevant approximations when DSS lacks satisfactory quality data.
- Comparing best estimates with actuarial experience and assessing estimation uncertainties.
- Identifying homogeneous risk groups for insurance and reinsurance obligations to properly assess underlying risks.
- Incorporating relevant financial market data and publicly available insurance risks information into the assessment of provisions.
- Assessing options and guarantees in insurance and reinsurance contracts.
- Monitoring year-over-year changes in calculations and justifying any significant differences.
- Supervising the calculation process for insurance provisions.

### *Assessment & Communication*

- The actuarial function must explain the impact of any significant changes in data, methods or assumptions between valuation periods.
- It must assess whether DSS's IT systems adequately support actuarial and statistical procedures used for the calculation of provisions.
- The actuarial function must maintain close collaboration with DSS departments that rely on its calculations, including claims, risk management and control functions.

### *Strategic Role in Risk Management*

- The actuarial function must provide an opinion on the insurance policy and assess whether possible reinsurance programs are sufficient.
- It must advise the Executive Board and the Board of Directors on the credibility and adequacy of insurance provision calculations.
- The function contributes to the effective implementation of DSS's risk management system, particularly regarding risk models used to calculate capital requirements and own risk and solvency assessment (ORSA).
- The key person for the actuarial function must ensure that business procedures and job descriptions are documented for all actuarial tasks.

### *Annual Reporting*

At the end of each year, the actuarial function must prepare a written actuarial report for DSS management. This report should summarise function's activities, outline findings and results and provide recommendations and proposals for improvements.

## B.8 Outsourcing

### *Outsourcing of Critical or Important Operational Functions*

The Board of Directors is responsible for approving the outsourcing of critical or important operational functions or activities. The following activities classified as such:

- Accounting functions and reporting
- Statement of the capital base and Solvency Capital Requirements
- Asset and liquidity management
- Supports for Actuarial, compliance, risk management and internal audit functions
- Claims processing

The decision to outsource is based on a recommendation from management, the Board of Directors retains ultimate responsibility for ensuring that the outsourced task is properly executed.
Before making a final decision, the Board must review the following:

- An assessment of whether DSS can still meet regulatory and business obligations if the proposed outsourcing is carried out.
- Defined quality, reporting and monitoring requirements for the outsourcing arrangement.
- A contingency plan, detailing how the outsourced function could be transitioned to another provider if necessary.

The following activities which were previously incorporated under outsourcing are now handled under the third-party ICT-providers in accordance with DORA-regulation and DSS policies for these ICT-services.

- Operation of IT Systems (including cloud services)

### *Outsourcing of Non-Critical Functions*

The management may independently outsource non-critical operational functions. In such cases, management assumes responsibility for the same considerations typically overseen by the Board when outsourcing critical functions.
When selecting a supplier – whether for Board-approved or management-led outsourcing – the following must be ensured:

- A thorough assessment of the provider's capabilities, capacity and any required regulatory authorisation.
- No actual or potential conflicts of interest that could compromise DSS's operational.
- A written agreement defining DSS's and the supplier's respective rights and obligations.
- Full compliance with data protection laws and other legal requirements.
- The same confidentiality and security obligations applicable to DSS must extend to the supplier.

### *Requirements for Outsourcing Critical or Important Functions*

If DSS outsources a critical or important operational functions or activities, the following requirements must be met:

- The service provider's risk management and internal control systems must be robust enough to prevent a decline in DSS's overall management quality or an unjustified increase in operational risks.
- The service provider must have sufficient financial resources and employ qualified, reliable personnel.
- The service provider must have effective contingency plans and conduct regular testing of backup systems where necessary, considering the outsourced functions and activities.
- It must be ensured that outsourcing does not impair the ability of regulators to verify DSS' compliance.
- Outsourcing must not impede regulatory oversight or DSS's ability to serve policyholders.

### *Outsourcing Agreement Requirements*

A written agreement between DSS and the supplier shall include the following:
- Clearly defined roles and responsibilities of both parties.
- The supplier's obligation to comply with all relevant laws, regulations requirements and DSS policies and guidelines, and to cooperate with the Danish Financial Supervisory Authority (DFSA).
- The supplier’s obligation 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 period for contract termination that allows DSS sufficient time to find an alternative solution.
- DSS’s right to terminate the contract without disrupting or impairing the quality of services and benefits to policyholders.
- DSS’s rights 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’s obligation to protect confidential information regarding DSS, policyholders, employees, contracting parties and all other persons.
- Effective access for DSS, its external auditor and the Danish FSA (Finanstilsynet) to all relevant outsourced records, including on-site inspections.
- The Danish FSA’s authority to request direct responses from the supplier regarding outsourced functions.
- The supplier's duties and responsibilities under the agreement must not be affected by subcontracting.

### *Ongoing Monitoring & Reporting*

The management must provide regular updates 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, the Board must receive updates yearly, including:

- The supplier's performance against agreed objectives in the agreement.
- Any failures or breaches of the agreement.
- The supplier's compliance with relevant regulations in the outsourced function.

The management is required to continuously monitor the supplier's compliance with the obligations in the outsourcing agreement. If the supplier fails to meet contractual or legal obligations, management must take immediate and report the issue to the Board of Directors without delay.

## B.9 Any other information

No additional information.

# C. Risk Profile

As an insurance company, DSS assumes various risks, primarily underwriting risk, which is central to its business – helping customers in resolving their health-related issues. In addition, DSS is exposed to financial risks related to liquidity management and investment strategy, as well as several operational risks arising from its daily activities. Effective risk management is a key priority for DSS, as uncontrolled risks can lead to negative financial consequences. To mitigate these risks, DSS regularly discusses risk management strategies and employs qualitative and quantitative tools to assess, and address identified risks. Furthermore, the Board of Directors assess the most significant risks as part of the annual own risk and solvency assessment (ORSA).

## C.1 Underwriting risk

Underwriting risk refers to the potential deviation between actual and expected claims payments, which can impact DSS's financial stability. DSS has identified the following key underwriting risks:

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

### *Key Underwriting Risks and Mitigation Strategies*

**Premium risk**
This refers to the risk that claims and expenses exceed premium income. DSS mitigates this risk by continuously assessing insured risks and monitoring claims development. If necessary, reinsurance is used to reduce exposure.

**Claims provision risk**
DSS monitors this risk by comparing observed versus expected outcomes and monitoring indicators for treatment choices. The actuarial function is responsible for calculating risks associated with provisions. The actuarial function must report regularly and must report developments quarterly to management and the Board of Directors. For specific products and coverages reinsurance coverage is applied to limit the exposure.

**Catastrophe risk**
DSS defines catastrophe risk as extreme incidents, including major health incidents, natural disasters, terrorist attacks and the risk of severe injuries.

**Risks of changing medical assessment and diagnostic practices**
This refers to the impact in connection with treatment and can be defined as a risk of a modification in a health assessment in the context of the injury treatment. The importance of changes in diagnostic practices may result in the previously used development triangles of 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 DSS's management of changes in practice that may affect the course and treatment of the injury.

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

- Premiums
- 12-month budget if relevant
- New coverages
- Conversion rates
- Reported claims
- Claims payments
- Claims provisions
- Claims history

Using the key figures above the Board of Directors conducts an annual review to ensure underwriting risks are correctly identified and managed.

DSS primarily underwrites high-frequency, low-severity claims, meaning individual claims are not expected to be financially significant. However, DSS has a portfolio of policies with a higher risk exposure related to the product Critical Advantage and also the coverage Cancer Care. DSS applies reinsurance to reduce the exposure on this product and coverage.

### *Underwriting risk concentration*

DSS continuously monitors and measures risk concentration by identifying its key sources. Currently, the DSS Board of Directors has identified the following potential sources of risk concentration of relevance to DSS:

- Customer concentration
- Geographic concentration
- Industry concentration
- Disasters, including health-related disasters

DSS maintains a diversified insurance portfolio, ensuring that policyholders are spread across various industries. The most significant concentration risks for DSS health-related disasters. However, such events have historically been rare. Given DSS's specialised range of insurance products, the overall risk concentration remains minimal.

## C.2 Market risk

Market risk refers to the potential impact of macroeconomic and market events on the value of financial assets and currencies. These risks arise from fluctuations in interest rates, exchange rates, equity prices, commodity prices, and property values.
The Board of Directors have identified the following categories of market risk of relevance to DSS:

- Interest rate risks, including changes in a yield curve and spread risks
- Currency risks

### *Mitigation Strategy*

To manage market risk, DSS adheres to a strict investment strategy, as outlined in its Investment Risk Policy. The primary investment objective is to achieve stable returns with low risk, ensuring alignment with DSS's insurance liabilities.
DSS primarily invests in highly liquid instruments to minimise exposure to market fluctuations. The company's strategy is designed to limit significant market risks.

### *Currency Risk Control*

To mitigate currency risk, DSS imposes limits on the proportion of total investment assets (excluding restricted cash) that can be allocated to specific currencies. These limits are detailed 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 DSS'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 used when evaluating the return on DSS's investment activities.

| Asset class | Benchmark weight %) |
|---|---|
| **Mortgage and government bonds** | Nordea Constant Maturity 2 Yea. (50%) |
| | Nordea MTG Callable CM 5Y. (50%) |

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

DSS exclusively invests in a limited selection of Danish government and mortgage bonds, resulting in a low overall market risk. 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 these risks, DSS management is required to continuously assess and quantify the market risks associated with the company's business model.

## C.3 Credit risk

DSS's credit risk encompasses both default risk – arising from its loan/bond portfolio - and counterparty risk related to custodians, banks and other financial institutions. The primary triggers include the bankruptcy of a counterparty or in the loan portfolio, as well as credit rating changes of DSS's held bonds or counterparties. To mitigate credit risk, the Board of Directors enforces guidelines on acceptable credit ratings for deposits with banks. Furthermore, the company has established minimum ratings/geographic limits for counterparties in, bonds, equities and financial institutions.

DSS' largest counterparties are Nordea which have a S&P credit rating of AA-.

Credit risk also includes the risk that DSS will not receive payment of premiums from policyholders. To reduce this exposure DSS requiring prepayment of premiums. Ifa policyholder fails to pay after receiving reminders, the insurance contract must be terminated by DSS.

## C.4 Liquidity risk

Liquidity risks are defined as the risk that DSS may be unable to meet its short-term financial obligations. The Board of Directors has identified the following key sources of liquidity risk of relevance to DSS:

- Illiquid assets - Funds tied up in fixed assets or unlisted shares

- High claims volume - A sudden surge in injury reports due to excessive concentration and/or cumulative risk
- Large prepayments - Significant upfront payments impacting cash flow
- Large receivables - Outstanding payments that delay cash availability.
- Illiquid investments - Client funds invested in assets that cannot be quickly converted to cash

To maintain low liquidity risk, the Board of Directors requires DSS to uphold a strong liquidity reserve and a solid financing structure.
The CFO is responsible for managing DSS's funds and prepares a quarterly liquidity budget, with ongoing monitoring. If there are significant changes in the customer portfolio, the budget must be updated accordingly.
DSS measures liquidity risk based on expected outflows and has established a minimum liquidity framework covering at least one month of normal operating and insurance costs, as outlined in the Liquidity Risk Management Policy. This framework is calculated monthly and approved by the key person for risk management.
To prevent liquidity shortfalls, the Executive Board aims to always maintain liquidity equivalent to two months of normal operation.

DSS is currently fully compliant with the liquidity requirements established by the Board of Directors. Furthermore, the company's business model presents limited liquidity risks, due to the following observations:

**Stable Liquidity Inflow**

- Premium payments are predictable and stable
- Customers consistently meet payment deadlines
- DSS experience steady growth in prepaid premiums, ensuring a continuous cash inflow

**Predictable Liquidity Outflow**

- Claims payments and injury treatments are characterised by high frequency but low amounts
- Payment outflows remain stable and predictable
- The largest single payout in 2024 was approximately DKK 100,000 indicating low volatility

**Strong Governance and Risk Management**

- DSS has established comprehensive management policies to oversee liquidity risk
- A robust control framework ensures continuous liquidity monitoring

The observations above, combined with DSS's current liquidity position, indicate that DSS's liquidity risks are low.

## C.5 Operational risk

Operational risks refer to the potential risk for financial loss due to inappropriate or defective internal procedures, human error, systemic errors or as a result of external events, including legal risks.
DSS categorise operational incidents as follows:

- Minor incidents: Loss (or potential loss) below DKK 25,000-100,000
- Medium events: Loss (or potential loss) between DKK 100,000 – 500,000
- Major incidents: Loss (or potential loss) exceeding DKK 500,000.

The Board of Directors has identified key sources of operational risks, as listed in the table below:

| Area | Operational risk source | Risk assessment |
|---|---|---|
| Legal risks | Breaches of GDPR provisions that give rise to potential fine on group-level and increased costs for DSS | Medium |
| IT-security | Loss of data, limited or no access to core systems, breakdown of systems and potential fine from Public Authorities | Medium |
| 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 |
| Organisational Risks | The risk of loss due to the resignation of key employees. | Low |
| Organisational 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 |
| Political risks | Unfavorable change in legislation related to health insurance in Denmark | 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 DSS and/or a third party. | Low |

The Board of Directors aims to minimise operational risks through effective controls and procedures while a low level of risk necessary to support DSS's business model is permitted by the Board of Directors. The Board's objective is to ensure that annual losses or potential losses from operational risks remain, on average, below DKK 5 mill., with a maximum threshold of DKK 50 million per annum across all operational risks.

## 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 are valued and recognised in the Solvency II balance sheet at fair value, following the same principles as those used in the statutory accounts. In accordance with Solvency II requirements, intangible assets and goodwill are set to nil in the Solvency II balance sheet. As of 31 December 2024, the assets consist of:

| DKK mill. (31.12.2024) | Statutory values | Solvency II | Difference |
|---|---|---|---|
| **Intangible assets** | 78.0 | - | -78.0 |
| **Goodwill** | 0 | - | - |
| **Property, plant and equipment held for own use** | 3.30 | 3.30 | - |
| **Bonds** | 368.5 | 368.5 | - |
| **Cash and cash equivalents** | 135.5 | 135.5 | - |
| **Other receivables** | 677.6 | 677.6 | - |
| **Other assets** | 26.9 | 26.9 | - |
| **Total assets** | **1,289.8** | **1,211.8** | **-78,0** |

## D.2 Technical provisions

The value of the technical provisions is determined in accordance with article 77 of the Solvency II directives, calculated as best estimate plus a risk margin. No claims have occurred under the reinsurance agreements, consequently the gross claim provisions are equal to the net claim provisions.

| DKK M, 31.12.2024, gross | Statutory values | Solvency II | Difference |
|---|---|---|---|
| **Health – claim provision** | 90.5 | 90.5 | - |
| **Health – premium provisions** | 701.1 | 701.1 | - |
| **Risk margin** | 5.5 | 5.5 | - |
| **Total technical provisions** | **797.1** | **797.1** | **-** |

***Claim provision***

The claim provisions under statutory accounting are calculated using actuarial models and methods based on historical claims data. DSS has not made any significant change in the way to calculate the technical provisions compared to earlier periods.

Under Solvency II, the claim provisions are aligned with the discounted statutory claim provisions. The discounting is applied using EIOPA’s risk-free interest rates without any volatility adjustment.

As no claims have triggered the reinsurance agreements, the gross claim provisions are equal to the net claim provisions.

***Premium provision***
Under statutory accounting, premium provisions are measured and recognised proportionally over the coverage period and adjusted as needed to account for variations in risk over time. These provisions are calculated based on the best estimate of expected payments throughout the agreed risk period.
DSS also includes future profit in the calculation of premium provisions, which is determined as the expected profit on the non-expired parts of the risk periods for active insurance contracts.

***Risk margin***
The risk margin is calculated in accordance with Article 37 of the Commission Delegated Regulation and represents the cost of capital a third party would incur when taking over DSS's portfolio of liabilities.
The risk margin is calculated using the following formula:
Risk Margin = 1-year discounted SCR × Cost of Capital (6%) × Duration

## D.3 Other liabilities

The following table shows the other liabilities as per 31 December 2024.

| DKK mill. (31.12.2024) | Statutory values | Solvency II | Difference |
|---|---|---|---|
| **Other liabilities** | 77.9 | 77.9 | - |
| **Other payables** | 0 | 0 | - |
| **Accruals and deferred income** | 2.0 | 2.0 | - |
| **Deferred tax liabilities** | 19.1 | 19.1 | - |
| **Total Other liabilities** | **71,5** | **71,5** | **-** |

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

## D.4 Alternative valuation method

DSS does not use any alternative valuation methods.

## D.5 Any other information

DSS considers, that any relevant information in terms of valuation of assets and liabilities is stated above, and that there is no other relevant information.

# E. Capital Management

## E.1 Own funds

Under Solvency II, Own funds are calculated as statutory equity minus intangible assets and goodwill.
The own funds are classified after Solvency II as tier 1 capital and amounted to DKK 294.8 mill. at the end of 2024.

| DKK M | 31.12.2024 | 31.12.2023 | Difference |
|---|---|---|---|
| **Ordinary share capital** | 0.7 | 0.7 | 0 |
| **Accumulated profit** | 355.1 | 285.2 | 69.9 |
| **Intangible assets** | -78.0 | -64.8 | -13.2 |
| **Proposed dividend** | -60.0 | 0.0 | -15.0 |
| **Expected profit included in future premiums** | 77.0 | 69.0 | 8.0 |
| **Total own funds** | **294.8** | **290.1** | **49.7** |

DSS aims to maintain stable own funds to ensure a healthy solvency ratio, which was 205% as of 31 December 2024.
To safeguard its capital position, DSS has implemented precautionary measures. Management actively monitors the capital position categorising it into either green, yellow or red zones based on risk levels.

DSS prioritises maintaining sufficient capital to support its strategic objectives.
An increase in own funds will primarily come from retained earnings, and projections indicate that in an average-performing year, DSS should be able to further strengthen its solid capital base.
Historically, DSS's underlying insurance business has demonstrated stability. Given its conservative investment strategy, DSS does not anticipate significant volatility.

In conclusion, due to stable insurance and operational risks, DSS expects to maintain adequate capital levels to meet solvency requirement, even in the face of minor fluctuations.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

DSS calculates its capital requirements using Solvency II standard model. DSS does not apply any company-specific parameters or simplified calculations when determining the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

| DKK mill. | 31.12.2024 | 31.12.2023 | Difference | Difference in % |
|---|---|---|---|---|
| **Market risk** | 6.8 | 9.6 | -2.8 | -29% |
| **Counterparty** | 25.3 | 17.0 | 8.3 | 49% |
| **Health underwriting risk** | 159.6 | 146.7 | 12.9 | 9% |
| **Non-life underwriting risk** | - | - | 0 | 0% |
| **Life underwriting risk** | - | - | 0 | 0% |
| **Diversification** | -22.0 | -18.6 | -3.4 | 18% |
| **Basic SCR** | **169.7** | **154.7** | 15.0 | 10% |
| | | | | |
| **Operational risk** | 24.3 | 21.4 | 2.9 | 14% |
| **LACDT** | -50.4 | -45.8 | -4.6 | 10% |
| **SCR** | **143.6** | **130.3** | 13.3 | 10% |
| | | | | |
| **Available capital** | **294.8** | **290.1** | 4.7 | 2% |
| **Solvency ratio** | **205 %** | **223 %** | 35% | 16% |
| | | | | |
| **MCR** | **64.6** | **58.6** | 6.0 | 10% |

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

DSS 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

DSS employs the Solvency II standard model to calculate its Solvency Capital Requirement (SCR). Currently, DSS considers this model the most appropriate to calculate the risk of its business.

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

DSS aims to maintain a solvency ratio of at least 130 %. As of 31 December 2024, the solvency ratio was 205 %, and DSS does not anticipate any funding issues.

## E.6 Any other information

All key information necessary to understand DSS's solvency situation is outlined in the preceding sections of this report and aligns with the information submitted to public authorities.