

Maersk Insurance A/S
Registration no. 33 51 03 65

Interim Report 2014
1 January 2014 – 30 June 2014

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Company Details

Company

Maersk Insurance A/S
Esplanaden 50
1098 Copenhagen K
Central Business Registration No.: 33 51 03 65

Telephone: +45 33 63 33 63

Board of Directors

Jan Kjærvik (Chairman)
Jesper Cramon
Bjarne Fabienke
Christian Kledal

Executive Management

Lars Henneberg

Auditors

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management Statement on the Interim Report

The Board of Directors and Executive Management have today considered and adopted the Interim Report of Maersk Insurance A/S for 2014.

The Interim Report of Maersk Insurance A/S has been prepared in accordance with the Danish Financial Business Act.

The Interim Report gives a true and fair view of the Company's assets, liabilities, financial position and result.

The Management review includes a fair description of the development in the Company's activities and financial standing as well as a description of significant risks and uncertainties which may affect the Company.

Copenhagen, 25 August 2014

Executive Management



Lars Henneberg

Board of Directors



Jan Kjærviik
(Chairman)



Jesper Cramon



Bjarne Fabienke



Christian Kledal

Management's Review

Main activities

Maersk Insurance A/S was founded in 2011 as a captive for the parent company A.P. Møller - Mærsk A/S and affiliated companies.

Maersk Insurance A/S has license to conduct direct and reinsurance business for the insurance classes 6 (Fully comprehensive insurance for ships), 8 (Fire and natural forces), 9 (Other damage to property), 12 (Third party liability for ships), 13 (General liability) and 16 (Miscellaneous financial losses).

Insurance risk

The Company writes risks within the areas Marine, Energy and Terminals. As per 1 November 2013 the Company initiated writing separate Liability risks and as per 1 January 2014 also started writing Property risks.

The insurance risk for Maersk Insurance A/S is limited to risks within the insurance classes for which the Company holds a license. For the main programs, claims are limited per incident as well as on a yearly aggregate. As of 30 June 2014, the Company's maximum net risk is in total limited to USD 59.0m for Energy, USD 38.0m for Marine and USD 17.0m for Terminals. For Liability the risk is limited to USD 5.0m per claim and to USD 30.0m per claim for Property.

Development in activities and finances

The company's profit for the first six months of 2014 amounts to USD 14,157k (2013: USD -6,268k). The result is satisfactory and positively influenced by relatively low claims.

The company has in 2014 had investment activities which, according to the policy of the company, have comprised investment assets with a low risk profile. The company's investment assets have in 2014 primarily been placed in government and mortgage bonds with short duration, in short term deposits and in a loan to the parent company. The result of investment activities is satisfactory.

The company's solvency margin according to rules from the Danish Financial Supervisory Authority (Finanstilsynet) is USD 12,736k as at 30 June 2014 (2013: USD 11,845k) which is covered by a base capital of USD 128,196k (2013: USD 95,530k). Consequently the Financial Supervisory Authority's requirement for the solvency margin is complied with 10.1 times (2013: 8.1 times).

The individual solvency requirement as of 30 June 2014 has been calculated to USD 69,467k (2013: USD 57,972k). The individual solvency requirement has been calculated according to the Executive Order and Guidance from the Danish Financial Supervisory Authority which came into force on 1 January 2014.

Expectations for the future

The company expects a positive result for 2014.

Events after the balance sheet date

No events have occurred after the balance sheet date that materially would affect the financial position of the company.

The accounts have not been subject to audit or review.

Income statement for the period 1 january - 30 June

	Note	2014 tUSD	2013 tUSD
Gross premiums		76.016	52.420
Insurance premiums ceded		-19.391	-2.661
Change in premium provisions		-45.963	-19.462
Change in reinsurers' share of premium provisions		16.880	2.091
Total premium income net of reinsurance		27.542	32.388
Technical interest		53	133
Claims paid		-6.082	-6.309
Change in claims provisions		-3.481	-31.495
Total cost of claims net of reinsurance		-9.563	-37.804
Administration expenses	2	-1.582	-1.218
Reinsurance commissions		188	-
Total operating expenses		-1.394	-1.218
TECHNICAL PROFIT		16.638	-6.501
Interest income and dividends etc.		609	410
Value adjustments		17	-309
Administration expenses related to investment activity		-20	-19
Total investment income		606	82
Interest on technical provisions		-53	-133
INVESTMENT RESULT AFTER TECHNICAL INTEREST		553	-51
PROFIT BEFORE TAX		17.191	-6.552
Tax	3	-3.034	284
PROFIT FOR THE PERIOD		14.157	-6.268
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14.157	-6.268

Balance sheet as of 30 June

Assets	Note	2014 tUSD	2013 tUSD
Bonds		60.162	90.519
Deposits with credit institutions		34.035	14.643
Total other financial investment assets		94.197	105.162
TOTAL INVESTMENT ASSETS		94.197	105.162
Reinsurers' share of premium provisions		16.880	2.091
Reinsurers' share of claims provisions		-	-
Total reinsurers' share of insurance provisions		16.880	2.091
Receivables from insurance companies		85.182	60.674
Receivables from affiliated companies	4	53.393	32.011
Other receivables		78	-
TOTAL RECEIVABLES		155.533	94.776
Current tax assets		-	840
Cash at bank		3.232	769
TOTAL OTHER ASSETS		3.232	1.609
Interest receivable		1.810	643
Other prepayments and accrued income		250	250
TOTAL PREPAYMENTS AND ACCRUED INCOME		2.060	893
TOTAL ASSETS		255.022	202.440

Balance sheet as of 30 June

	Note	2014	2013
		tUSD	tUSD
EQUITY AND LIABILITIES			
Share capital	5	89.987	89.987
Retained earnings		38.209	6.383
TOTAL EQUITY	6	128.196	96.370
Premium provisions		67.080	43.881
Claims provisions		34.519	61.077
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		101.599	104.958
Debt relating to reinsurance		18.211	-
Current tax liabilities		4.265	-
Payables to affiliated companies		964	489
Other liabilities		1.787	623
TOTAL LIABILITIES		25.227	1.112
TOTAL EQUITY AND LIABILITIES		255.022	202.440

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Notes

1 Accounting policies

The financial statements are presented in accordance with the Danish Financial Business Act and the accounting regulations stipulated for insurance companies by the Danish Financial Supervisory Authority.

The financial statements cover the period 1 January 2014 – 30 June 2014 and are presented in USD which is the Company's functional currency.

The accounting policies remain unchanged from the financial statements for 2013.

Recognition and measurement

Income is recognised in the income statement as earned. Expenses incurred to achieve the earnings for the period are recognised in the income statement. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the income statement, unless otherwise stated below.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably. Investment assets are recognised in the balance sheet using the trading date as date of recognition.

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

On initial recognition, assets and liabilities are measured at cost corresponding to fair value. Subsequent measurements are made as described for each individual item below.

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

Conversion of foreign currency

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

Receivables, payables and other monetary items in foreign currency, which are not settled at the balance sheet date, are translated at the exchange rate prevailing on the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the income statement as a financial item.

Financial instruments

Financial instruments are initially recognised in the balance sheet at cost and are subsequently valued at fair value. Positive and negative fair values of financial instruments are included in the income statement and are in the balance sheet included under other assets and other liabilities respectively.

Income statement

Premium income

Premium income at own account includes total charged premium for the accounting period (with deduction of premium ceded to reinsurance companies) adjusted for changes in premium provisions, corresponding to accruals according to the risk period of the insurance policies.

Insurance technical interest

Part of total results of financial operation relates to insurance operations and has been transferred to that part of the income statement. The transfer is a calculated yield of average total technical reserves at own account for the period. The interest used is the interest set by the Danish Financial Supervisory Authority.

Claims paid

Claims paid is the amount of money paid for insurance claims. The amount includes expenses for survey and handling of claims and other direct and indirect expenses related to handling of claims.

Change in claims provisions

Change in claims provisions is the difference between claims provisions at the start of the year and at the end of the accounting period. This also applies for the reinsurance companies' share of claims.

Bonus and premium rebates

Bonus and premium rebates include bonus to customers who have had positive claims ratios for the period. The criteria are set based on claims incurred and are set prior to inception of the insurance period.

Administration expenses

Administration expenses are expenses incurred in connection with renewing and handling of the insurance portfolio.

Investment income

Interest income, dividends etc.

Includes interest income from bonds, other securities and loans.

Value Adjustments

Value adjustments comprises all value adjustments including exchange rate adjustments.

Investment management expenses

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

Tax

Maersk Insurance A/S is covered by the corporate taxation law § 11A (captive rules) which entails that the company is taxed respectively obtains tax deductions to the extent that group payments of premiums etc. are taxable respectively are tax deductible by other companies in the joint taxation.

The company is taxed jointly with A.P. Møller - Mærsk A/S and this company's subsidiaries. The parent company pays the combined Danish tax of these companies' taxable income. The jointly taxed companies are included in the on account tax system.

Tax for the period is recognised in the income statement with the amount attributable to profit or loss for the period and is recognised in other total income with the amount attributable to other total income.

Balance sheet

Bonds

Securities recognised under current assets comprise listed bonds measured at fair value (quoted price at closing) at the balance sheet date.

Receivables

Receivables are measured at amortised cost which usually equals nominal value less provisions for bad debt.

Accruals and deferred income/cost

Accruals and deferred income/cost includes receivable interest and expenses paid before the balance sheet date but which relate to following periods.

Provision for premiums

Provisions for premiums are provided to cover obligations and amounts for unexpired risk periods for insurance contracts in force.

Claims provisions

Claims provisions are amounts to cover claims and costs on insurance events occurred in the accounting period or prior to that period.

The claims provisions are calculated as the sum of the amounts which the company to the best of its knowledge expects to be liable to pay in connection with the insurance events occurred until the balance sheet date exceeding the amounts that have already been paid in connection with these insurance events. The claims provisions also contain amounts which the company to the best of its knowledge expects to pay for direct and indirect costs in connection with resolving the claims. The company also applies an IBNR reserve to cover incurred but not yet reported claims.

The claims reserves are discounted to the extent that it is expected that settlement will take place over a longer period of time. The current estimate is that this is not the case.

Corporation tax

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

Debt

Debt is measured at amortised cost which usually corresponds to nominal value.

Notes

	2014	2013
	tUSD	tUSD
2 Administration expenses		
Other administration expenses	1.565	1.190
Total other administration expenses	1.565	1.190
Fee to auditor elected at the General Assembly		
Statutory audit	17	28
Total fee to auditor elected at the General Assembly	17	28
Total operating expenses	1.582	1.218

Staff costs

The company has had no employees in the financial year. Executive Management receives no remuneration from Maersk Insurance A/S. Services provided by A.P. Møller - Mærsk A/S are charged as part of the administration agreement, which includes USD 80k (2013: USD 80k) for services provided by Lars Henneberg as Executive Management in Maersk Insurance A/S. Remuneration of USD 9k has been paid to member of the Board and the independent member of the Audit Committee, Bjarne Fabienke.

3 Tax

Current tax	-3.034	284
Total tax	-3.034	284
Actual tax percentage	24,5%	25,0%
Non taxable / deductible part of premiums and claims	-6,9%	-20,0%
Effective tax rate	17,6%	5,0%

4 Receivables from affiliated companies

Loan to A.P. Møller - Mærsk A/S	53.000	32.011
Other receivables from affiliated companies	393	-
Total receivables from affiliated companies	53.393	32.011

5 Share capital

The share capital consists of 5,120,000 shares of DKK 100 each corresponding to USD 89,987k. The shares are not divided into classes.

Notes

	2014	2013
	tUSD	tUSD
6 Equity		
Share capital	89.987	89.987
Retained earnings at beginning of period	24.052	12.651
Total comprehensive income for the period	14.157	-6.268
Equity 30 June	128.196	96.370

7 Contractual obligations and guarantee commitments

The company has no obligations or guarantee commitments cf. the Danish Financial Business Act §182.

8 Related parties

Related parties with a controlling interest in Maersk Insurance A/S:

- A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K

Related parties with whom Maersk Insurance A/S has had transactions in 2014:

- Maersk Insurance A/S has granted a loan to the parent company A.P. Møller - Mærsk A/S according to approval received from the Danish Financial Supervisory Authority. The loan yields interest at arm's length basis.
- An agreement has been established with A.P. Møller - Mærsk A/S related to fees for risk management services and to bookkeeping and reporting.

9 Ownership

The following shareholder owns more than 5% of the company's share capital:

- A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K

10 Consolidation

Maersk Insurance A/S is consolidated in the Group Interim Accounts for A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K

The Group Interim Accounts are obtainable from this adress.

11 Sensitivity information

	2014	2013
Event	Impact on equity	
Interest rate increase of 0.7 - 1.0 % point	557	674
Interest rate decrease of 0.7 - 1.0 % point	-557	-674
Decrease in share price of 12 %	-	-
Decrease in property price of 8 %	-	-
Currency risk (VAR 99.5)	-	-
Loss on counterparties of 8 %	186	169

Notes

12 Financial highlights and key figures

The company was formed 28 February 2011. Accordingly the overview comprises 4 years only

	30/6 2014	30/6 2013	30/6 2012	31/12 2011
	tUSD	tUSD	tUSD	tUSD
Main figures				
Gross premium income (including change in premium provisions)	30.053	32.958	15.719	0
Gross claims incurred	-9.563	-37.804	-10.677	0
Operating insurance expenses	-1.582	-1.218	-1.339	0
Profit or loss of reinsurance	-2.323	-570	0	0
Insurance technical result	16.638	-6.501	3.981	0
Return on investments after insurance technical interest	553	-51	-155	1
Result after tax for the period	14.157	-6.268	2.869	-25
Run off results, gross	-1.040	4.043	0	0
Run off results, net	-1.040	4.043	0	0
Total technical provisions	101.599	104.958	55.407	0
Total insurance assets	16.880	2.091	0	0
Total equity	128.196	96.370	92.831	80.169
Total assets	255.022	202.440	149.881	80.203

Key figures

Gross claims ratio	32	115	68	0
Net reinsurance ratio	8	2	0	0
Gross expense ratio	5	4	8	0
Combined ratio	45	121	76	0
Operating ratio	45	120	75	0
Relative run off results	-4	14	0	0
Return on equity in per cent	23	-13	7	0
Solvency coverage	10	8	12	18

Gross claims ratio

(Claims paid + change in claims provisions) / (gross premium income - bonus and premium rebates) * 100

Net reinsurance ratio

(Profit or loss of reinsurance) / (gross premium income - bonus and premium rebates) * 100

Gross expense ratio

(Operating insurance expenses) / (gross premium income - bonus and premium rebates) * 100

Combined ratio

(The sum of above three key figures)

Operating ratio

(Combined ratio where premium income is added to the allocated return on investments)

Relative run off results

(Run off result compared to provisions as at 1 January)

Return on equity in per cent

(Result for the year / the average equity) * 100

Solvency coverage

(Base capital / capital requirement)