

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

Annual Report 2019

Approved at the Annual General Meeting 23-4-2020

Presiding _____



Contents

| | <u>Page</u> |
|--|--------------------|
| Company Details | 1 |
| Management Statement on the Annual Report | 2 |
| Independent Auditor's Report | 3 |
| Management's Review | 8 |
| Income Statement for the period 1 January – 31 December 2019 | 11 |
| Balance Sheet as at 31 December 2019 | 12 |
| Statement of changes in equity as at 31 December 2019 | 14 |
| Notes | 15 |
| Board Memberships and other assignments for Board Members | 27 |

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 Kjærviik (Chairman)

Fatiha Benali

Martin Herrstedt

Palle Laursen

Executive Management

Lars Henneberg

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Management Statement on the Annual Report

The Board of Directors and Executive Management have today considered and adopted the Annual Report of Maersk Insurance A/S for 2019.

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

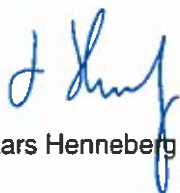
The Annual Report gives a true and fair view of the Company's assets, liabilities, financial position and result.

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.

It is recommended that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 5 March 2020

Executive Management



Lars Henneberg

Board of Directors



Jan Kjærnik
(Chairman)



Martin Herstedt



Fatiha Benali



Palle Laursen

Independent Auditor's Report

To the Shareholder of Maersk Insurance A/S

Our Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

Maersk Insurance A/S's financial statements for the financial year 1 January to 31 December 2019 comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes, including summary of accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Maersk Insurance A/S on 16 September 2011 for the financial year ending 31 December 2011. We have been reappointed annually by shareholder resolution for a total

period of uninterrupted engagement of 9 years including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|--|---|
| <p>Measurement of claims provisions</p> <p>The Company's claims provisions amount to a total of USD 58 million, which represents 14% of the total balance.</p> <p>Claims provisions are calculated as the present value of the payments, which the Company is expected to be liable to pay in connection with insurance events that have taken place on or before the balance sheet date exceeding amounts already paid in connection with these events. In addition, direct and indirect costs are included in connection with the settlement of claims.</p> <p>We focused on the measurement of claims provisions because these are significant for the Financial Statements and are based on estimates and actuarial methods that include assumptions about future events.</p> <p>Reference is made to the Financial Statements of "Accounting Estimates" and "Claims Provisions" in Note 1 and "Cost of claims net of reinsurance" in Note 4.</p> | <p>We reviewed and assessed the business processes and relevant internal controls implemented by the Company regarding claims processing and claims provisioning.</p> <p>We assessed and challenged the models, methods and assumptions used based on our experience in order to ensure that these are in line with regulatory and accounting requirements. This included an assessment of the continuity in the basis for the calculation of claims provisions.</p> <p>For a sample of claims we tested the calculation and the data used to underlying documentation.</p> |

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

Maersk Insurance A/S

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 5 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231



Per Rolf Larssen

State Authorised Public Accountant

mne24822

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). In addition, Maersk Insurance in 2019 was granted permission to conduct direct and reinsurance business for insurance class 1 (medical) and 2 (accident) as well as reinsurance for life class 1c (only death and invalidity caused by bodily injury, including incapacity for work). The insurance classes 1, 2 and life class 1c were not used in 2019.

Insurance risk

The Company writes property and casualty risks mainly within the areas Marine and Terminals. The insurance risk for Maersk Insurance A/S is limited to risks within the insurance classes for which the Company holds a license. Claims are limited per incident and for a number of programmes also on a yearly aggregate. For property the maximum net risk per event is USD 30.0m and for casualty USD 12.5m.

Development in activities and finances

The company's profit for 2019 amounts to USD 20,263k (2018: USD 12,983k). The result is satisfactory and positively influenced by low property claims.

On 6 March 2018 the vessel Maersk Honam suffered a fire in the cargo hold. Maersk Insurance has for this claim posted a gross claims provision of USD 81,782k of which USD 77,460k has been paid. As of 31 December 2019, the gross claims provision is therefore USD 4,322k (2018: 54,105k). The claim is 100% reinsured.

The company has in 2019 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 2019 primarily been placed in short term deposits and in a loan to the parent company. The result of investment activities is satisfactory.

The solvency capital requirement as of 31 December 2019 has been calculated to USD 74,020k (2018: USD 58,925k). The capital base amounts to USD 210,395 (2018: USD 187,064k). The solvency capital requirement has been calculated according to the standard method under Solvency II and the capital base has been made up according to the valuation rules under Solvency II.

The development in solvency ratio in the last 5 years is as follows:

| 2019 | 2018 | 2017 | 2016 | 2015 |
|------|------|------|------|------|
| 284% | 317% | 303% | 317% | 214% |

As from 1 January 2020 Maersk Insurance started writing Employee Benefit Insurance in the form of Medical, Accident and Life. This has increased the capital requirement as of 31 December 2019 and reduced the solvency ratio compared to end 2018.

Expectations for the future

The expected profit for 2020 is at a lower level than for 2019 as claims in 2019 were unusually low.

Salary policy

The overall purpose of the company's salary policy is to support that management and significant risk takers work to promote a healthy and effective risk management of the company. The salary may thus not be of a magnitude or composition which entails a risk for conflict of interest or which does not harmonise with the company's wishes for protection of customers and investors.

Apart from this, reference is made to note 5 to the Financial Statements.

Risk management

Reference is made to note 15 to the Financial Statements.

Distribution of the profit for the year

The Board proposes that the profit for the year, USD 20,263k is transferred to equity.

Social responsibility

For a description of the A.P. Moller - Maersk Group's work with social responsibility, reference is made to the home page www.maersk.com/about/sustainability.

Gender Equality

In February 2014 the Board adopted targets for the diversity of the company's shareholder-appointed board members with respect to the under-represented gender.

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognises the advantages of a board comprising a wide range of backgrounds such as global experience, style, culture and gender.

On the basis of this ambition the Board has defined a target to increase the share of the under-represented gender on the Board, to account for at least 25% of the shareholder-appointed Board members within a four year period.

As of 31 December 2019, one of the four shareholder-appointed Board members is a woman. The target for gender diversity is therefore being met.

Audit committee

The independent member of the audit committee with accounting and audit qualifications is Fatiha Benali. Fatiha Benali is Senior Vice President, Claims at Tryg A/S and has previously held the position as Business Financial Officer at the same company and has experience from audit committee and Board in Danmarks Skibskredit A/S. Through these positions, Fatiha Benali has acquired a broad knowledge of finance, accounting and IT.

Board memberships and other assignments for Board members, Executive management and Executive staff

Reference is made to overview on page 27.

Income Statement for the period 1 January – 31 December 2019

| | Note | 2019 tUSD | 2018 tUSD |
|--|----------|----------------|---------------|
| Gross premiums | 2 | 135.001 | 60.292 |
| Insurance premiums ceded | | -62.949 | -45.483 |
| Change in premium provisions | | -60.545 | -994 |
| Change in reinsurers' share of premium provisions | | 22.925 | -1.598 |
| Total premium income net of reinsurance | | 34.432 | 12.217 |
| Technical interest | 3 | 462 | 168 |
| Claims paid | | -63.807 | -39.046 |
| Received from reinsurers | | 47.138 | 26.860 |
| Change in claims provisions | | 49.690 | -58.473 |
| Change in risk margin | | -5.880 | -1.580 |
| Change in reinsurers' share of claims provisions | | -42.389 | 68.940 |
| Total cost of claims net of reinsurance | 4 | -15.248 | -3.299 |
| Administration expenses | | -2.749 | -2.058 |
| Reinsurance commissions | | 3.186 | 5.340 |
| Total operating expenses | 5 | 437 | 3.282 |
| TECHNICAL PROFIT | | 20.083 | 12.368 |
| Interest income and dividends etc. | | 4.011 | 3.046 |
| Value adjustments | | 1.237 | 1.545 |
| Administration expenses related to investment activity | | -28 | -25 |
| Total investment income | 6 | 5.220 | 4.566 |
| Interest on technical provisions | | -462 | -168 |
| INVESTMENT RESULT AFTER TECHNICAL INTEREST | | 4.758 | 4.398 |
| PROFIT BEFORE TAX | | 24.841 | 16.766 |
| Tax | 7 | -4.578 | -3.783 |
| PROFIT FOR THE YEAR | | 20.263 | 12.983 |
| Other comprehensive income for the year | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 20.263 | 12.983 |

Balance Sheet as at 31 December 2018

| ASSETS | Note | <u>2019</u> tUSD | <u>2018</u> tUSD |
|--|------|------------------------------|------------------------------|
| Deposits with credit institutions | | <u>85.729</u> | <u>58.925</u> |
| Total other financial investment assets | | <u>85.729</u> | <u>58.925</u> |
| TOTAL INVESTMENT ASSETS | | <u>85.729</u> | <u>58.925</u> |
| Reinsurers' share of premium provisions | | 40.133 | 17.208 |
| Reinsurers' share of claims provisions | | <u>52.186</u> | <u>95.251</u> |
| Total reinsurers' share of insurance provisions | | <u>92.319</u> | <u>112.459</u> |
| Receivables from insurance companies | | 72.053 | 24.330 |
| Receivables from affiliated companies | 8 | <u>146.889</u> | <u>137.843</u> |
| TOTAL RECEIVABLES | | <u>311.261</u> | <u>274.632</u> |
| Cash at bank | | <u>5.598</u> | <u>6.713</u> |
| TOTAL OTHER ASSETS | | <u>5.598</u> | <u>6.713</u> |
| Interest receivable | | 56 | 9 |
| Other prepayments and accrued income | | <u>16.343</u> | <u>13.275</u> |
| TOTAL PREPAYMENTS AND ACCRUED INCOME | | <u>16.399</u> | <u>13.284</u> |
| TOTAL ASSETS | | <u><u>418.987</u></u> | <u><u>353.554</u></u> |

Balance Sheet as at 31 December 2018

| | Note | 2019 tUSD | 2018 tUSD |
|--|-----------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Share capital | | 89.987 | 89.987 |
| Retained earnings | | 119.533 | 99.270 |
| TOTAL EQUITY | 10 | 209.520 | 189.257 |
| | | | |
| Premium provisions | | 84.210 | 23.665 |
| Claims provisions | | 58.100 | 107.790 |
| Risk Margin | | 10.226 | 4.346 |
| TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS | | 152.536 | 135.801 |
| | | | |
| Debt relating to reinsurance | | 49.535 | 23.339 |
| Current tax liabilities | 9 | 4.852 | 3.685 |
| Payables to affiliated companies | | 705 | 148 |
| Other liabilities | | 1.839 | 1.324 |
| TOTAL LIABILITIES | | 56.931 | 28.496 |
| | | | |
| TOTAL EQUITY AND LIABILITIES | | 418.987 | 353.554 |

| | |
|---|----|
| Accounting policies | 1 |
| Contractual obligations and guarantee commitments | 11 |
| Related parties | 12 |
| Ownership | 13 |
| Consolidation | 14 |
| Risk information | 15 |
| Insurance technical result by insurance class | 16 |
| Sensitivity information | 17 |
| Financial highlights and key figures | 18 |
| Contingent liabilities | 19 |

Statement of changes in equity as at 31 December 2019

| | Share capital | Retained earnings | Total |
|--|---------------|-------------------|----------------|
| | tUSD | tUSD | tUSD |
| 2018 | | | |
| Equity 1 January | 89.987 | 86.287 | 176.274 |
| Total result/comprehensive income for the year | - | 12.983 | 12.983 |
| Equity 31 December 2018 | 89.987 | 99.270 | 189.257 |
| | | | |
| 2019 | | | |
| Equity 1 January | 89.987 | 99.270 | 189.257 |
| Total result/comprehensive income for the year | - | 20.263 | 20.263 |
| Equity 31 December 2019 | 89.987 | 119.533 | 209.520 |

Total eligible own funds to meet the Solvency Capital Requirement (capital base) are as at 31 December 2019 USD 210.395k. The difference to equity as at 31 December 2019 of USD 209.520k is mainly caused by valuation differences in the Solvency II balance sheet.

Notes

1 Accounting policies

The Financial Statements are presented in accordance with the Executive Order no. 937 dated 27 July 2015 and changes in Executive Order no. 688 dated 1 June 2016 and Executive Order no. 1442 dated 3 December 2018. The Financial Statements cover the period 1 January 2019 – 31 December 2019 and are presented in USD which is the Company's functional currency.

With effect from 2019 a number of changes have been made to the Executive Order. As a result, the presentation of the key figure Solvency Ratio is made in Management's Review instead of, as in previous years, in the note Financial highlights and key figures.

The accounting policies remain unchanged from the Financial Statements for 2018.

Recognition and measurement

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

Assets are recognized 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 recognized in the balance sheet using the trading date as date of recognition.

Liabilities are recognized 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.

Accounting estimates

In connection with the compilation of the Financial Statements, management make a number of accounting estimates. The most significant estimates relate to the following:

Claims provisions

Individual claims

Provisions for individual claims are based on information from fronting companies ensuring that the fronting companies and Maersk Insurance use the same claim amount. Of this amount Maersk Insurance will provide for its share of the total claim. Maersk Insurance assesses information from fronting companies against information which has come to the knowledge of management to ensure that claims provisions are based on all information available to the Company.

IBNR and IBNER

Based on principles approved by the Board, the Company will calculate IBNR and IBNER provisions. The principles used are on a yearly basis evaluated by the Actuary Function and the Board to ensure that these provisions are at an appropriate level.

3rd party recovery

Where it is anticipated that recovery is obtainable from a 3rd party, the recovery amount will be estimated based on all available and relevant information, including where possible advice from external lawyers. The estimation of expected recovery amounts will take the inherent process risk associated with such cases into account.

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 recognized 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 recognized in the latest annual report is recognized in the income statement as a financial item.

Financial instruments

Financial instruments are initially recognized 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 net of reinsurance 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 premium reserves net of reinsurance for the year. The interest used is based on relevant interest curves.

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.

Received from reinsurers

Received from reinsurers is the amount of money received from reinsurers for their share of insurance 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 year. This also applies for the reinsurance companies' share of claims.

Change in risk margin

Change in risk margin is the difference between risk margin at the start of the year and at the end of the accounting year.

Administration expenses

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

Reinsurance commissions

Reinsurance commissions comprise commissions based on contractual rates and profit shares received from reinsurance companies.

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.

Administration expenses related to investment activity

Costs attributable to trading in and management of the Company's investments are recognized as administration expenses related to investment activity.

Tax

Maersk Insurance A/S is covered by the corporate taxation law § 11A (captive rule) 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 Holding 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 year is recognized in the income statement with the amount attributable to profit or loss for the year and is recognized in other comprehensive income with the amount attributable to other comprehensive income.

Balance sheet

Financial investment assets

Bonds are measured at fair value (quoted price at closing) at the balance sheet date. Deposits with credit institutions are measured at face value. The Company does not have any investments assets where fair value measurement is based on non observable input (level 3).

Reinsurers' share of insurance provisions

Amounts receivable from reinsurers are measured at the amounts receivable related to premium and claims provisions in accordance with the reinsurance contracts entered into.

Receivables

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

Prepayments and accrued income

Prepayments and accrued income includes receivable interest and expenses paid before the balance sheet date but which relate to following years. Interest receivable also includes positive market value of FX derivatives. Negative market value of FX derivatives is included in other liabilities.

Premium provisions

Provisions for premiums are provided to cover obligations and amounts for unexpired risk periods for insurance contracts in force. The Company makes use of the simplified method for calculating the provisions as described in §69a of the executive order.

Claims provisions

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

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 provision to cover incurred but not yet reported claims and an IBNER provision to cover the risk that claims provisions are underestimated.

The claims provisions are discounted to the extent that it is expected that settlement will take place over a longer period of time unless the difference between discounted and non-discounted provisions is insignificant.

Risk Margin

Risk margin is provided to cover the amount to be expected to pay another insurance company for assuming the risk of settling insurance obligations in addition to amounts already provided for in premium and claims provisions.

Current tax

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

Debt

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

Notes

| | 2019 | 2018 |
|--|----------------|----------------|
| | tUSD | tUSD |
| 2 Gross premiums | | |
| Gross premium reinsurance | 133.318 | 59.991 |
| Gross premium direct insurance | 1.683 | 301 |
| Total gross premium | 135.001 | 60.292 |
| Direct insurance | | |
| Denmark | 1.683 | 301 |
| Other EU-countries | - | - |
| Other countries | - | - |
| | 1.683 | 301 |
| 3 Technical interest | | |
| Premium provisions | 84.210 | 23.665 |
| Claims provisions | 58.100 | 107.790 |
| | 142.310 | 131.455 |
| Insurance technical interest has been calculated as 1.57% (2018: 2.49%) of the average net balance of premium provisions of USD 29,488k (2018: USD 6,730k) | 462 | 168 |
| Total technical interest | 462 | 168 |
| 4 Cost of claims net of reinsurance | | |
| Claims paid | 63.807 | 39.046 |
| Received from reinsurers | -47.138 | -26.860 |
| Change in claims provisions | -49.690 | 58.473 |
| Change in risk margin | 5.880 | 1.580 |
| Change in reinsurers' share of claims provisions | 42.389 | -68.940 |
| Total cost of claims net of reinsurance | 15.248 | 3.299 |
| Allocation of claims incurred and run off result related to previous years | | |
| Claims losses in the year, gross | 20.584 | 99.474 |
| Run off result, gross | -587 | -375 |
| Total losses, gross | 19.997 | 99.099 |
| Claims losses in the year, reinsurers' share | -3.026 | -93.070 |
| Run off result, reinsurers' share | -1.723 | -2.730 |
| Total losses net of reinsurance | 15.248 | 3.299 |

Run off result

The run off result, net, consists of lower claims related to Terminal of USD 3.7m, partly offset by higher claims in Marine USD 0.9m and in Freight Service Liability USD 1.3m. IBNR reserves contributes positively with USD 0.8m.

Notes

| | 2019 | 2018 |
|---|---------------|---------------|
| | tUSD | tUSD |
| 5 Administration expenses | | |
| Other administration expenses | 2.728 | 2.025 |
| Total other administration expenses | 2.728 | 2.025 |
| Fee to auditor elected at the General Assembly | | |
| Statutory audit | 21 | 33 |
| Other services | - | - |
| Total fee to auditor elected at the General Assembly | 21 | 33 |
| Reinsurance commission | | |
| Reinsurance commission | -3.186 | -5.340 |
| Total reinsurance commission | -3.186 | -5.340 |
| Total operating expenses | -437 | -3.282 |
| Staff costs | | |
| <p>The company has had no employees in the financial year other than part-time employment of Executive Management and Internal Auditor. Executive Management and Internal Auditor receive no remuneration from Maersk Insurance A/S. Remuneration for these services are charged by A.P. Møller - Mærsk A/S as part of the administration agreement, which includes USD 160k (2018: USD 160k) for services provided by Lars Henneberg as Executive Management in Maersk Insurance A/S and USD 10k (2018: USD 10k) for Internal Audit services. Remuneration of USD 19k (2018: USD 19k) has been paid to member of the Board and the independent member of the Audit Committee, Fatiha Benali.</p> | | |
| 6 Investment income | | |
| Interest on investment assets, receivables from parent company and cash at bank | 4.011 | 3.046 |
| Interest income, dividends etc. | 4.011 | 3.046 |
| Value adjustments related to other financial assets | 1.237 | 1.545 |
| Value adjustments | 1.237 | 1.545 |
| Administration expenses related to investment activity | -28 | -25 |
| Administration expenses | -28 | -25 |
| Total investment income | 5.220 | 4.566 |
| 7 Tax | | |
| Current tax | 4.852 | 3.685 |
| Adjustment previous years | -274 | 98 |
| Total tax | 4.578 | 3.783 |
| Actual tax percentage | 22,0% | 22,0% |
| Adjustment previous years | -1,1% | 0,6% |
| Non taxable / deductible part of premiums and claims | -2,5% | 0,0% |
| Effective tax rate | 18,4% | 22,6% |

Notes

| | 2019 | 2018 |
|---|----------------|----------------|
| | (USD) | (USD) |
| 8 Receivables from affiliated companies | | |
| Loan to A.P. Møller - Mærsk A/S | 146.889 | 137.843 |
| Total receivables from affiliated companies | 146.889 | 137.843 |
| | | |
| 9 Current tax assets / current tax liabilities | | |
| Balance 1 January | 3.685 | 696 |
| Adjustment previous years | -274 | 98 |
| Paid tax related to last year | -3.411 | -794 |
| | 0 | 0 |
| Current tax | 4.852 | 3.685 |
| Paid on account during the year | - | - |
| Balance 31 December, liability | 4.852 | 3.685 |

The company is taxed jointly with A.P. Møller Holding A/S and this company's subsidiaries.

Notes

10 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.

11 Contractual obligations and guarantee commitments

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

12 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 2019:

- Maersk Insurance A/S has granted a loan of USD 146.9m to the parent company A.P. Møller - Mærsk A/S according to permission 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 investment services, underwriting, reinsurance, bookkeeping, reporting, IT, legal, tax and internal audit.

13 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

14 Consolidation

Maersk Insurance A/S is consolidated in the Group Annual Accounts for A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K (smallest group) and in the Group Annual Accounts for A.P. Møller Holding A/S, Esplanaden 50, 1098 Copenhagen K (largest group). The Group Annual Accounts are obtainable from these addresses.

Notes

15 Risk information

In Maersk Insurance A/S risk management is performed when the Board of Directors evaluates and decides on several types of risk according to the Danish Financial Business Act and the Companies Act. The nature of the risks are both financial and operational. The company has prepared policies and guidelines for all significant areas in order to manage these risks

At the operational level it is mainly insurance risks that must be evaluated while at the financial level it is the investment risk.

The company mainly assumes insurance risk within the A.P. Moller - Maersk Group, including subsidiaries, and as required for joint ventures and partner companies. Part of the risk is naturally associated with claims provisions where a technical provision is made. On top of this the company allocates an IBNR provision to cover incurred but not yet reported claims and an IBNER provision to cover the risk that reserves for claims should be too low.

In the preparation of the financial statements estimates and judgments are exercised that affect the carrying value of assets and liabilities and the result. The most significant estimates are exercised in the measurement of technical provisions. In the measurement of technical provisions a number of assumptions and estimates are made, inter alia in connection with the calculation of expected claims payments and expenses on reported claims. Technical provisions also include an estimate of claims incurred that have not yet come to the Company's knowledge. These estimates are inherently uncertain and rests on a number of assumptions that may be affected by developments in practise and litigation, etc. Accordingly, the Company's actual liability for claims may be subject to material positive and negative deviations relative to the amounts initially estimated in the technical provisions.

For the investment area, the Board of Directors has drawn up an investment policy. The policy defines the types of assets in which the company may invest, how much risk can be taken within each type of asset and against one counterpart, and which counterparties that may be used. As stipulated in the policy, all investments made in other currencies than USD are hedged to protect the company against the exchange rate exposure. The overall objective of the policy is to ensure that the company adheres to the prudent person principle. Adherence to the investment policy is monitored on a current basis by management and the audit committee.

Notes

16 Insurance technical result by insurance class

| | Marine, Aviation and Transport *) | Fire *) | Third Party *) | Total |
|-----------------------------|--------------------------------------|---------|----------------|---------|
| | tUSD | tUSD | tUSD | tUSD |
| 2019 | | | | |
| Gross premiums written | 78.336 | 40.124 | 16.542 | 135.001 |
| Gross premium income | 47.166 | 20.533 | 6.757 | 74.456 |
| Gross claims incurred | -10.622 | 1.975 | -5.470 | -14.117 |
| Change in risk margin | -1.527 | -2.202 | -2.151 | -5.880 |
| Gross operating expenses | 212 | 376 | -150 | 437 |
| Result of ceded business | -25.751 | -9.527 | 4 | -35.274 |
| Technical interest | 268 | 137 | 57 | 462 |
| Technical profit or loss | 9.746 | 11.292 | -954 | 20.083 |
| Number of claims | 134 | 20 | 53 | 207 |
| Average claims size (t.USD) | 79 | -99 | 103 | 68 |
| Claims frequency | 27 | 7 | 6 | 12 |
| | | | | |
| | Marine, Aviation and Transport *) | Fire *) | Third Party *) | Total |
| | tUSD | tUSD | tUSD | tUSD |
| 2018 | | | | |
| Gross premiums written | 44.503 | 13.216 | 2.574 | 60.292 |
| Gross premium income | 43.092 | 12.735 | 3.471 | 59.298 |
| Gross claims incurred | -89.019 | -6.698 | -1.802 | -97.519 |
| Change in risk margin | -1.545 | -35 | 0 | -1.580 |
| Gross operating expenses | 2.819 | 294 | 170 | 3.283 |
| Result of ceded business | 52.918 | -3.336 | -863 | 48.719 |
| Technical interest | 124 | 37 | 7 | 168 |
| Technical profit or loss | 8.389 | 2.997 | 983 | 12.369 |
| Number of claims | 102 | 23 | 29 | 154 |
| Average claims size (t.USD) | 873 | 291 | 62 | 633 |
| Claims frequency | 20 | 12 | 4 | 10 |

*) "Marine, Aviation and Transport" includes the insurance areas Marine, Energy, Construction All Risk, Umbrella Liability and Structured Umbrella

"Fire" includes the insurance area Terminals, Property and Container Handling Equipment

"Third party" includes the insurance area Liability except Umbrella Liability

17 Sensitivity information

Event

Interest rate increase of 0.7 - 1.0 % point
 Interest rate decrease of 0.7 - 1.0 % point
 Decrease in share price of 12 %
 Decrease in property price of 8 %
 Currency risk (VAR 99.5)
 Loss on counterparties of 8 %

| | 2019 | 2018 |
|---|------------------|------|
| | Impact on equity | |
| Interest rate increase of 0.7 - 1.0 % point | - | - |
| Interest rate decrease of 0.7 - 1.0 % point | - | - |
| Decrease in share price of 12 % | - | - |
| Decrease in property price of 8 % | - | - |
| Currency risk (VAR 99.5) | - | - |
| Loss on counterparties of 8 % | 422 | 170 |

Notes

18 Financial highlights and key figures

Main figures from the last 5 years.

| Main figures | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------|---------|---------|---------|---------|
| | USD | USD | USD | USD | USD |
| Gross premium income (including change in premium provisions) | 74.456 | 59.298 | 52.426 | 60.536 | 74.916 |
| Gross claims incurred | -19.997 | -99.099 | -23.043 | -3.360 | -45.633 |
| Operating insurance expenses | -2.749 | -2.058 | -1.970 | -2.599 | -3.000 |
| Profit or loss of reinsurance | -32.089 | 54.059 | -21.469 | -30.249 | -12.760 |
| Insurance technical result | 20.083 | 12.368 | 5.980 | 24.359 | 13.357 |
| Return on investments after insurance technical interest | 4.758 | 4.398 | 2.955 | 2.021 | 1.223 |
| Result after tax for the year | 20.263 | 12.983 | 6.604 | 21.349 | 14.650 |
| Run off results, gross | 587 | 375 | -7.434 | 9.271 | 3.673 |
| Run off results, net | 2.310 | 3.105 | -357 | 4.096 | 3.673 |
| Total technical provisions | 152.536 | 135.801 | 74.754 | 78.729 | 117.101 |
| Total insurance assets | 92.319 | 112.459 | 45.763 | 31.085 | 18.739 |
| Total equity | 209.520 | 189.257 | 176.274 | 169.670 | 148.321 |
| Total assets | 418.987 | 353.554 | 278.878 | 273.116 | 266.718 |

Key figures

| | | | | | |
|---------------------------------|----|-----|-----|----|----|
| Gross claims ratio | 27 | 167 | 44 | 6 | 61 |
| Net reinsurance ratio | 43 | -91 | 41 | 50 | 17 |
| Gross expense ratio | 4 | 3 | 4 | 4 | 4 |
| Combined ratio | 74 | 79 | 89 | 60 | 82 |
| Operating ratio | 73 | 79 | 89 | 60 | 82 |
| Relative run off results, gross | 1 | 1 | -14 | 12 | 8 |
| Relative run off results, net | 2 | 6 | -1 | 5 | 8 |
| Return on equity in per cent | 10 | 7 | 4 | 13 | 10 |

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 claims provisions as at 1 January current year)

Return on equity in per cent

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

Financial highlights and key figures for 2018, 2017, 2016 and 2015 have been adjusted to the changed accounting policies implemented in 2016.

19 Contingent liabilities

Maersk Insurance primarily conducts reinsurance business, and in certain cases the company will, as part of normal operations, issue a Letter of Credit to fronting companies.

Board Memberships and other assignments for Board Members

Participation in Boards and Management

Board Members and Management participate as Board Members and Management in the following companies:

Jan Kjærvik

Vice Chairman Höegh Autoliners Holdings AS

Board Member Maersk Supply Service A/S

Fatiha Benali

CEO Ejendomsselskabet af 11.11.2018 Aps

Chairman Behandlerbooking P/S

Chairman Behandlerbooking Komplementarselskab Aps

Martin Herrstedt

Board Member Maersk Training A/S

Palle Laursen

Board Member Maersk Training A/S