

**Global Dental Insurance A/S  
Jægersborg Allé 14  
2920 Charlottenlund**

**Central Business Registration No 35804161**

**Annual Report 2016**

The Annual General Meeting adopted the annual report on 25/04/2017

**Chairman of the General Meeting**



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**Jens Steen Jensen**

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## **Company details**

### **Company**

Global Dental Insurance A/S

Central Business Registration No: 35804161

Registered in: Gentofte

Internet: [www.globaldentalinsurance.dk](http://www.globaldentalinsurance.dk)

E-mail: [info@globaldentalinsurance.dk](mailto:info@globaldentalinsurance.dk)

### **Board of Directors**

Mark Davidson

Steen Bo Jørgensen

Laura Linda Czelada

Jonathan Stong Groat

Toby Lincoln Hall

### **Executive Board**

Jesper Kjeldsgaard Haugbølle

### **Company auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

## **Independent auditors' report**

To the shareholders of Global Dental 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 2016 and of the results of the Company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Business Act.

### **What we have audited**

Global Dental Insurance A/S's Financial Statements for the financial year 1 January to 31 December 2016 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including summary of significant accounting policies. Collectively referred to as the "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 ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### **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.

### **The key figure Solvency ratio**

Management is responsible for the key figure Solvency ratio, included in Financial highlights and key figures in note 15 of the financial statements.

As disclosed in Financial highlights and key figures in note 15 the key figure is exempt from audit requirement. Accordingly, our opinion on the financial statements does not cover the key figure Solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to consider, whether the key figure Solvency ratio is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on this, we conclude that the key figure Solvency ratio is materially misstated, we are required to report that fact. We have nothing to report in this respect.

### **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 judgment and maintain professional skepticism 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.

Copenhagen, 1 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231



Jesper Otto Edelbo

State Authorised Public Accountant



Kim Moeslund Schmidt

State Authorised Public Accountant

### Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Global Dental Insurance A/S for the financial year 1 January to 31 December 2016.

The annual report is presented in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of its financial performance for the financial year 1 January to 31 December 2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

Gentofte, 1 March 2017

#### Executive Board



Jesper Kjeldsgaard Haugbølle  
Chief Executive Officer

#### Board of Directors




Mark Davidson  
Chairman




Steen Bo Jørgensen



Jonathan Stong Groat



Laura Linda Czelada



Toby Lincoln Hall

## Management commentary

### Primary activities

The Company's primary activity is insurance within classes of insurance 2: Accident and health insurance - Dental insurance.

Global Dental Insurance has an exclusive relationship with its sister company Dansk Tandforsikringsadministration ApS. Dansk Tandforsikringsadministration ApS acts as third party administrator for Global Dental Insurance and provides assistance with sales, customer services and claims handling.

### Development in activities and finances

#### Results

The management is unsatisfied with the negative result but understands that this is a realistic scenario with a startup developing insurance company. The negative result is not a result from adverse risks or a high volume of claims, but due to the high level of cost of starting up operations. Management believes that once the company has grown to a more mature level the costs will proportionally normalize to a more acceptable level.

The management would also like to see the premium income grow more considerably and projects are being launched to build in more flexibility in the acceptance process. Results of this should become visible during 2017.

#### Solvency

The management has ensured that the company's solvency position exceeds the requirements and that the company can meet all its obligations.

#### Private Market

During the second half of 2016 marketing efforts were reduced to promote Dansk Tandforsikring on television and more focus was put on telesales activities. This is proving to be a more cost efficient method of acquiring new customers. In 2017 we will be using both methods and hope to have found the right balance between the two. We are continuously improving this process to make it even more effective.

#### Corporate Market

We have put a lot of effort into developing the employer market in 2016. We are utilizing several different sales channels to successfully approach this target group. Based on our initial success in this market we expect the largest growth from this segment and are hopeful that similar to private health insurance dental insurance will become an accepted employee benefit.

#### Insurance Market

As a specialist in dental insurance and being a member of a group of dental insurance companies in the US with nearly 60 years of experience, GDI, through its sister company Dansk Tandforsikring, is the ideal partner for established, traditional insurance companies. We launched our first partnership in November 2015 and expect to develop more relationships in the course of 2017.



## Management commentary

### Uncertainty relating to recognition and measurement

The statement of the accounted value of certain assets and liabilities is conditioned by applying accounting estimates. The accounting estimates made are based on assumptions which Management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates. The best estimate of the insurance provisions is obtained by using acknowledged actuarial models.

### Unusual circumstances

No unusual circumstances have affected recognition and measurement.

### Significant risks and uncertainties

#### Business risks

There are four major risks and uncertainties: Since the product is new on the market the early purchasers are possibly not the healthiest from a risk perspective. This could evolve in adverse selection. Global Dental Insurance does have underwriting procedures and claims controls in place which can decrease this risk. Over time, once the number of policyholders has increased this risk will decrease.

An uncertainty is whether the Danish market responds to the marketing activities and to the introduction of the product by purchasing dental insurance. All initial indicators and reactions are fortunately positive.

A third risk is that the subscribers either cancel their policy or decide not to renew their policy, which will impact the gross premium and the growth of the Company.

A fourth risk is the interest rate risk. The Danish interest rate is below zero and will possibly increase in the foreseeable future. This will impact our bond portfolio. To protect us, we have invested in bonds with a short duration. This way, we do not expect major shocks to the value of our portfolio.

#### Outlook

Management is encouraged by the adoption of dental insurance as employee benefit by employer groups and expects the company to grow considerably in this segment in 2017 and in the years to come. Research is taking place to investigate the market potential in other countries.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

### Corporate social responsibility

Compliance is of major importance to the Company. All policies, procedures and guidelines comply with what can be expected of a new and innovative company. Internal controls ensure that employees and third party organizations are aligned with what the Company expects.

## Management commentary

### Solvency capital requirements

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK'000</u>
Own funds	39.006.696	39.810
Solvency capital requirement	6.625.248	6.947
Minimum capital requirement	18.750.000	18.750

The above shown solvency capital requirements are measures by the standard formula in accordance with the Danish Financial Business Act.

### ***Participation in Boards and Management***

*The members of the Board of Directors and Management participate as Board Members and Management in the following companies:*

#### Mark Davidson

*DNS Holding Company, LLC – President & Chief Executive Officer*

*Dansk Tandforsikring Administration APS (DDI) - Chairman*

*(Global Dental Insurance A/S – Chairman)*

#### Steen Bo Jørgensen

*Momentum Markets Globale Aktier A/S - Chairman*

*Deltaq A/S – Board Member*

*Jysk Industri Holding A/S – Board Member*

*(Global Dental Insurance A/S – Board member)*

#### Laura Linda Czelada

*Renaissance Health Service Corporation - President & Chief Executive Officer*

*Delta Dental Plan of Michigan, Inc. - President & Chief Executive Officer*

*Delta Dental Plan of Ohio, Inc. - President & Chief Executive Officer*

*Delta Dental Plan of Indiana, Inc. - President & Chief Executive Officer; Director*

*Delta Dental Fund - President*

*GLM Holding Company - President & Chief Executive Officer; Director, Chairperson*

*Dewpoint, Director - Chairperson*

*Renaissance Holding Company - Director, Chairperson*

*Renaissance Life & Health Insurance Company of America - Treasurer; Director, Chairperson*

*Renaissance Health Insurance Company of New York - Vice President; Director, Chairperson*

*(Global Dental Insurance A/S – Board member)*

*Renaissance Electronic Services, LLC - Chief Executive Officer*

*Renaissance Family Foundation, Inc. - President*

## **Management commentary**

*Delta Dental Plans Association - Director*

*C3 Jian, Inc. - Director*

### Jonathan Stong Groat

*Renaissance Health Service Corporation - Vice President & General Counsel*

*Delta Dental Plan of Michigan, Inc. - Vice President & General Counsel*

*Delta Dental Plan of Ohio, Inc. - Vice President & General Counsel*

*Delta Dental Plan of Indiana, Inc. - Vice President & General Counsel*

*Delta Dental Plan of North Carolina - General Counsel*

*Delta Dental Plan of New Mexico, Inc. – General Counsel*

*GLM Holding Company - General Counsel & Secretary; Director*

*Dewpoint - Director*

*Renaissance Holding Company - General Counsel*

*Renaissance Life & Health Insurance Company of America - Vice President & General Counsel; Director, Secretary*

*Renaissance Health Insurance Company of New York - General Counsel; Director, Secretary*

*DNS Holding Company, LLC - General Counsel*

*(Global Dental Insurance A/S – Board member)*

### Toby Lincoln Hall

*Delta Dental Plan of Michigan, Inc. - Senior Vice President & Chief Actuary*

*Renaissance Health Insurance Company of New York - Director*

*Dansk Tandforsikring Administration APS (DDI) – Board member*

*(Global Dental Insurance A/S – Board member)*

### Jesper Kjeldsgaard Haugbølle

*Dansk Tandforsikring Administration APS (DDI) – Board member*

*(Global Dental Insurance A/S - Chief Executive Officer)*

*Dan Dryer A/S – Chairman*

*Sankalpa ApS – Managing Director*

## Income statement for the period from 1 January to 31. December 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Gross premiums	2	10.400.750	3.929
Change in premium provisions		<u>(1.128.141)</u>	<u>(1.315)</u>
<b>Total premium income net of reinsurance</b>		<b>9.272.609</b>	<b>2.614</b>
<b>Insurance technical interest</b>	3	<b><u>(5.068)</u></b>	<b><u>(4)</u></b>
Claims paid		(4.367.426)	(1.169)
Change in claims provisions		(331.714)	(488)
Change in risk margin		<u>(28.162)</u>	<u>(42)</u>
<b>Total costs of claims net of reinsurance</b>		<b><u>(4.727.302)</u></b>	<b><u>(1.699)</u></b>
Acquisition costs		(4.035.247)	(824)
Administrative expenses	4	<u>(1.617.324)</u>	<u>(1.019)</u>
<b>Total insurance operating costs, net of reinsurance</b>		<b><u>(5.652.570)</u></b>	<b><u>(1.843)</u></b>
<b>Technical result</b>		<b><u>(1.112.331)</u></b>	<b><u>(932)</u></b>
Interest income and dividends	5	954.251	526
Value adjustments		(910.062)	(1.134)
Interest paid		(19.055)	(43)
Administration expenses in connection with investment activities		<u>(138.676)</u>	<u>(96)</u>
<b>Total investment return</b>		<b><u>(113.542)</u></b>	<b><u>(747)</u></b>
Return and value adjustments on insurance provisions		<u>5.470</u>	<u>4</u>
Investment return after return and value adjustments on insurance provisions		<u>(108.071)</u>	<u>(743)</u>
<b>Profit or loss before tax</b>		<b><u>(1.220.403)</u></b>	<b><u>(1.675)</u></b>
Tax	7	<u>0</u>	<u>(23)</u>
<b>Profit or loss for the year</b>		<b><u>(1.220.403)</u></b>	<b><u>(1.698)</u></b>
Other comprehensive income		<u>0</u>	<u>0</u>
<b>Total comprehensive income</b>		<b><u>(1.220.403)</u></b>	<b><u>(1.698)</u></b>

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<b>Proposed distribution of profit/loss</b>	
Profit or loss for the year	<u>(1.220.403)</u>
<b>Profit or loss available for distribution</b>	<u>(1.220.403)</u>
Profit or loss brought forward	<u>(1.220.403)</u>
	<b>(1.220.403)</b>

**Balance sheet at 31.12.2016**

	<u>Notes</u>	<u>31.12.2016</u> <u>DKK</u>	<u>31.12.2015</u> <u>DKK'000</u>
Bonds		35.465.233	34.595
<b>Total investment assets</b>		<b>35.465.233</b>	<b>34.595</b>
Receivables from policyholders		2.256.900	1.365
Receivables from group undertakings		344.157	0
Other receivables		2.039.240	672
<b>Total receivables</b>		<b>4.640.298</b>	<b>2.037</b>
Total assets (cash equivalent)		5.696.474	6.068
Deferred tax assets	8	0	0
<b>Total other assets</b>		<b>5.696.474</b>	<b>6.068</b>
Interest and rent receivable		241.612	217
<b>Total accruals and deferred income</b>		<b>241.612</b>	<b>217</b>
<b>Total assets</b>		<b>46.043.616</b>	<b>42.917</b>

**Balance sheet at 31.12.2016**

	<u>Notes</u>	<u>31.12.2016</u> <u>DKK</u>	<u>31.12.2015</u> <u>DKK'000</u>
Share capital equivalent funds	9	42.000.000	42.000
Profit or loss brought forward		<u>(2.993.304)</u>	<u>(1.773)</u>
<b>Total equity</b>		<b><u>39.006.696</u></b>	<b><u>40.227</u></b>
Premium provisions		2.444.048	1.315
Claims provisions		819.580	488
Risk margin		<u>69.664</u>	<u>42</u>
<b>Total provisions for insurance contracts</b>		<b><u>3.333.293</u></b>	<b><u>1.845</u></b>
Creditors arising out of direct insurance operations		1.721.229	190
Amount payable to group undertakings		6.136	0
Other debt	10	<u>308.619</u>	<u>130</u>
<b>Debt</b>		<b><u>2.035.984</u></b>	<b><u>320</u></b>
Accruals and deferred income		<u>1.667.644</u>	<u>525</u>
<b>Total equity and liabilities</b>		<b><u>46.043.616</u></b>	<b><u>42.917</u></b>
Accounting policies	1		
Other notes	2-17		

## Statement of changes in equity for 2016

	Share capital DKK	Retained earnings DKK	Total DKK
<b>Equity at 31.12.2014</b>	<b>42.000.000</b>	<b>(73.737)</b>	<b>41.926.263</b>
Profit/loss for the year	0	(1.699.164)	(1.699.164)
Other total income	0	0	0
<b>Equity at 31.12.2015</b>	<b>42.000.000</b>	<b>(1.772.901)</b>	<b>40.227.099</b>
Equity at 31.12.2015	42.000.000	(1.731.035)	40.268.965
Effect of new executive order on accounting	0	(41.866)	(41.866)
Adjusted equity at 31.12.2015	42.000.000	(1.772.901)	40.227.099
<b>Profit/loss for the year</b>	<b>0</b>	<b>(1.220.403)</b>	<b>(1.220.403)</b>
Other total income	0	0	0
<b>Total income</b>	<b>0</b>	<b>(1.220.403)</b>	<b>(1.220.403)</b>
<b>Equity at 31.12.2016</b>	<b>42.000.000</b>	<b>(2.993.304)</b>	<b>39.006.696</b>

Owens funds equals equity.

Solvency capital requirement equalling the minimum capital requirement amounts to EUR 2.5 million.



## Notes

### 1. Accounting policies

This annual report is presented in accordance with the provisions of the Danish Financial Business Act and the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession specific pension funds.

The accounting policies applied for these financial statements are as follows.

The Danish executive order on Financial statements for insurance companies and pension funds has been adapted to the new EU Solvency Rules, Solvency II. The new rules took effect on 1 January 2016.

Solvency II sets down the basic principles for calculation of insurance provisions:

- Best estimate of the present value of expected future cash flows for incurred insurance
- A risk margin to cover the risk of deviation between best estimate and final execution of future cash flows
- An interest rate curve laid down for Solvency II. Global Dental Insurance uses the interest rate curve without adjustments.

#### Changes in the accounting policies

Global Dental Insurances has implemented the amendments from the executive order on financial reports for insurance companies and pension funds issued by the Danish FSA from 1 January 2016 as follows.

- The gross premiums are recognized when due. Earlier gross premium where recognized at inception for the entire coverage period.
- The executive order prescribes a change from applying a yield curve issued by the Danish Financial Supervisory Authority to applying a new yield curve published by EIOPA. For Global Dental Insurance this means applying a yield curve at a lower level. The comparative figures from 2015 are restated accordingly. (Global Dental Insurance started their insurance business in 2015).
- Premium provisions are changed as a result of changed recognition of gross premiums.
- Risk margin is the amount a business will have to pay an acquirer of an insurance portfolio for taking over the risk that the actual expenses in connection with settlement of insurance provisions deviate from best estimate. At Global Dental Insurance, the risk margin is calculated using the Solvency II model Cost of Capital. Previously, risk margin have not been a separate provision item in the financial statement. Only the risk margin related to claims provisions is presented in the accounts, as the risk margin related to the premium provisions is contained in the premium provisions.

## Notes

The changes in legislation have impacted the balance sheet and the income statement of 31.12.2015. The comparative figures has been changed as follows:

	<b>Reported in previous annual report 31.12.2015</b>	<b>According to new regulation 31.12.2015</b>
<b>Income statement</b>		
Gross premiums	6.510.650	3.929.446
Changes in premium provisions	(3.897.111)	(1.315.907)
Insurance technical interest	(3.645)	(4.009)
Change in risk margin	0	(41.305)
Total cost of claims	(1.657.265)	(1.698.768)
Technical result	(891.014)	(932.881)
Profit or loss before tax	(1.634.647)	(1.676.514)
Profit or loss for the year	(1.657.298)	(1.699.165)
<b>Balance sheet</b>		
Receivables from policyholders	3.420.701	1.365.360
Total receivables	4.092.610	2.037.270
Total assets	44.973.191	42.917.851
Profit or loss brought forward	(1.731.035)	(1.772.901)
Total equity	40.268.965	40.227.098
Premium provisions	3.897.111	1.315.907
Claims provisions	487.904	488.268
Risk margin	0	41.305
Total provisions for insurance contracts	4.385.015	1.845.678
Accruals and deferred income	0	525.863
Total equity and liabilities	44.973.191	42.917.851

## General information

The annual report is presented in DKK.

## Accounting estimates

The preparation of the financial statements under the Danish Financial Supervisory Authority's executive order requires the use of certain critical accounting estimates and requires the management to exercise its judgment in the process of applying the Company's accounting policies.

The statement of the accounted value of certain assets and liabilities is conditioned by applying the accounting estimate. The estimates made are based on assumptions which Management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates. The best estimate of the insurance provisions is obtained by using acknowledged actuarial models.

These estimates are described in more details in the below-mentioned under the individual accounting items.

## Notes

### **Recognition and measurement**

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described below.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

### **Profit and loss account**

#### **Premium income**

Premium income consists of the premiums collected for the year, adjusted for movements in the unearned premium provision.

#### **Insurance technical interest**

The interest yield is calculated on the basis of the year's average net premium provisions. The year's average rate for EIOPAs risk free term structure without volatility adjustment is used as the rate of interest.

## Notes

### Claims incurred

Claims incurred consist of the claims paid together with direct and indirect costs for claims, adjusted for movements in the outstanding claims reserve.

As a result, claims incurred consist of reported and expected claims for the accounting year. Furthermore, run-off gains or losses on previous years' provision for outstanding claims are included in claims incurred. The portion of the increase of the provisions that relates to reduction of term and changes in provisions of claims due to changes in the yield curve and exchange rates has been transferred to Return and value adjustment on insurance provisions.

### Insurance operating costs

Deferred expenses for the acquisition and management of the Company's portfolio of insurance contracts are included in operating expenses. The item includes the corresponding share of staff costs, commissions, marketing expenses, rent, expenses for stationary and office supplies.

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

### Investment return

Interest and interest-related income from bonds, other securities, loans and receivables, dividends on equity investments, are recognized in interest income and dividends, etc.

Total value adjustments, including currency translation adjustments as well as net gains and losses from the sale of assets falling within the group of investments in the balance sheet, are recognized as value adjustments.

Change in the provision for outstanding claims, resulting from changes in the discount rates used is also recognized and included in Return and value adjustment on insurance provisions.

Interest on and interest-related expenses in connection with payables and liabilities are recognized as interest expenses.

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

## Notes

### **Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized in other comprehensive income by the portion attributable to entries directly herein.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

### **Balance sheet**

Listed bonds and capital investments are stated at the price listed at closing time on the date of the balance sheet. However, drawn bonds are stated at fair value.

The settling day is used as the time of calculation for all investment assets.

### **Receivables**

Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad debts.

### **Equity**

Shares are classified as equity when there is no obligation to transfer cash or other assets.

### **Premium provisions**

Premium provisions are recognized as future payments including payments for administration and claims handling regarding future events for in-force policies. However, as a minimum to the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any variations in the incidence of risk.

The premium provisions are recognized, taking into account, the deductions for direct acquisition costs, which are accrued according to the premium provisions.

## Notes

### **Provisions for claims**

Provisions for claims include direct and indirect claims handling costs arising from events that have occurred up to the balance sheet date. Provisions for claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Provisions for claims are discounted. The future payments are discounted according to EIOPAs risk free term structure without volatility adjustment.

### **Other financial liabilities**

Other financial liabilities are measured at amortized cost which usually corresponds to nominal value.

### **Deferred income**

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

## Notes

	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK'000</u>
<b>2. Lines of business</b>		
The Company only provides health insurance in Denmark		
Total claims	8.608	2.982
Average claims	566	567
Claims frequency	1,8	1,1
<b>3. Insurance technical interest</b>		
Average premium provisions	<u>2.118.294</u>	<u>2.953</u>
Insurance technical interest	<u>(5.068)</u>	<u>(4)</u>
<b>4. Administration expenses</b>		
Salaries and wages	297.690	300
Other social security costs	<u>46.099</u>	<u>20</u>
	<u><b>343.789</b></u>	<u><b>320</b></u>
Total remuneration for:		
Executive board (Tim Werner Hansen)	<u>73.746</u>	<u>163</u>
Executive board (Jesper Kjeldsgaard Haugbølle)	<u>110.194</u>	<u>0</u>
Board of directors (Steen Bo Jørgensen)	<u>113.750</u>	<u>137</u>
Average number of employees	<u>1</u>	<u>1</u>
Total fees paid to auditor appointed by the Company at the general meeting:		
Statutory audit	159.285	63
Fee for tax advisory	0	0
Fee for other assurance engagements	0	0
Fee for other services	<u>0</u>	<u>0</u>
	<u><b>159.285</b></u>	<u><b>63</b></u>
<b>5. Interest income and dividends</b>		
Interest income	<u>954.251</u>	<u>526</u>
	<u><b>954.251</b></u>	<u><b>526</b></u>
<b>6. Value adjustments</b>		
Realized gains/loss bonds	(411.150)	(1.243)
Unrealized gains/loss bonds	<u>(498.912)</u>	<u>109</u>
	<u><b>(910.062)</b></u>	<u><b>(1.134)</b></u>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>7. Tax</b>		
Change in deferred tax	0	(23)
	<u>0</u>	<u>(23)</u>
<b>8. Deferred tax assets</b>		
Tax loss carryforwards 01.01.2016	0	23
Additions 2016	0	(23)
Tax loss carryforwards	0	0
	<u>0</u>	<u>0</u>
Net value is recognized in the balance sheet as follows:		
Deferred tax assets	0	0
	<u>0</u>	<u>0</u>

## 9. Share capital

The share capital consists 42.000 shares at 1.000 kr.

The shares have not been divided into classes.

Changes in share capital in the past five financial years:

Share capital at 13 March 2014	500.000
Capital increase 1 December 2014	41.500.000
<b>Share capital at 31.12.2016</b>	<b><u>42.000.000</u></b>

## 10. Other debt

Wages and salaries, personal income taxes, social security costs, etc. payable	2.236	24
Other costs payable	176.828	43
	<u>179.064</u>	<u>67</u>

## 11. Recourse guarantee commitments and contingent liabilities

None

## 12. Related parties

### Related parties with a controlling interest

The following related parties have a controlling interest in Global Dental Insurance A/S:

<b>Name</b>	<b>Registered office</b>	<b>Basis of influence</b>
DNS Holding Company, LLC	Okemos, Michigan, USA	100% owner
Mark Davidson	Okemos, Michigan, USA	Chairman



## Notes

Name	Registered office	Basis of influence
Steen Bo Jørgensen	Copenhagen, Denmark	Member of the board
Laura Linda Czelada	Okemos, Michigan, USA	Member of the board
Jonathan Stong Groat	Okemos, Michigan, USA	Member of the board
Toby Lincoln Hall	Okemos, Michigan, USA	Member of the board
Jesper Kjeldsgaard Haugbølle	Copenhagen, Denmark	Chief Executive Officer

All transactions between related parties and Global Dental Insurance A/S have been conducted at arm's length.

### 13. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

DNS Holding Company, LLC, Okemos, Michigan, USA (TIN 46-4534401)

### 14. Consolidation

Global Dental Insurance A/S is included in the consolidated financial statements of DNS Holding Company LLC.

### 15. Five-year summary

	2016	2015	2014
<i>Gross premiums earned</i>	9.272.609	2.613.539	0
<i>Gross claims incurred</i>	(4.727.302)	(1.699.131)	0
<i>Total operating expenses</i>	(5.652.570)	(1.843.643)	(108.659)
<i>Result of reinsurance (=net cost)</i>	0	0	0
<i>Underwriting result</i>	(1.112.331)	(932.880)	(108.659)
<i>Profit/loss of investment after transfer of technical interest</i>	(108.071)	(743.633)	22.651
<i>Profit for the year</i>	(1.220.403)	(1.699.165)	(73.737)
<i>Gross run-off profit/loss</i>	(197.304)	0	0
<i>Run-off profit/loss, net of reinsurance</i>	(197.304)	0	0
<b><i>Assets and Liabilities at</i></b>			
<i>Insurance assets</i>	0	0	0
<i>Technical provisions</i>	3.333.293	1.845.678	0
<i>Capital and reserves at year-end</i>	41.042.680	41.072.173	41.936.263
<i>Total assets</i>	46.043.616	42.917.851	
<b><i>Key figures</i></b>			
<i>Gross claims ratio</i>	51,0%	65,0%	-
<i>Gross expense ratio</i>	61,0%	70,5%	-
<i>Reinsurance ratio</i>	0%	0%	-
<i>Combined ratio</i>	111,9%	135,0%	-
<i>Operating ratio</i>	112,0%	135,7%	-
<i>Relative run-off result</i>	0%	0%	-
<i>Return on capital and reserves</i>	-3,03%	-4,13%	-0,18%
<i>Solvency ratio* (unaudited)</i>	208,0%	216,0%	N/A

\* Solvency ratio is excluded from audit requirements according to Executive order no. 937 of 27 July 2015 on Financial Reporting on Insurance Companies etc. and therefore is unaudited.

## 16. Risk and sensitivity information

### Financial risks

In terms of the result the Company is sensitive towards the development in the prices of bonds. The Board of Directors determines and approves the overall policy for investment risk and determine the overall risk framework and the reporting.

### Insurance risks

Insurance risks include the acceptance of risks on a direct basis, issuance of policies and claims management. The Board of Directors determines and approves the overall policy for risk assumption and determines the overall risk framework and the reporting.

Event	Impact on equity
Increase in interest rate of 0,7-1,0 percentage point	(682.402)
Decrease in interest rate of 0,7-1,0 percentage point	682.371
Price decrease of 12% on shares	0
Decrease in real estate of 8%	0
Exchange rate risk (VaR 99.5 pct.)	0
Loss of contracting parties of 8%	(137.418)

## 17. Special circumstances relating to the year

Unlike last year, there are no special circumstances relating to the year.