

**Global Dental Insurance A/S**  
**Central Business Registration No 35804161**

**Interim Report First Half 2018**

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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

Goran Mike Jurkovic

Toby Lincoln Hall

Laura Linda Czelada

Ole Ærthøj

### **Executive Board**

Jesper Kjeldsgaard Haugbølle

### **Company auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

## Statement by Management on the interim report

The Board of Directors and the Executive Board have today considered and approved the interim report of Global Dental Insurance A/S for the period 1 January to 30 June 2018.

The interim 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 30 June 2018 and of its financial performance for the period 1 January to 30 June 2018.

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

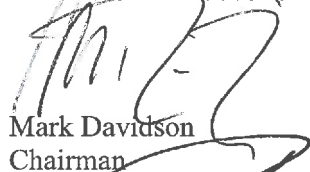
Gentofte, 26 September 2018

### Executive Board

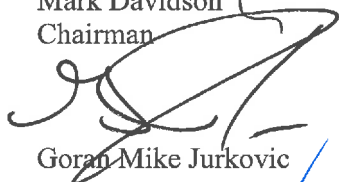


Jesper Kjeldsgaard Haugbølle  
Chief Executive Officer

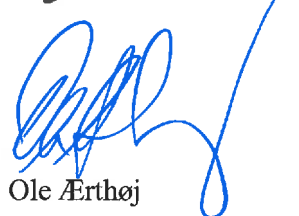
### Board of Directors



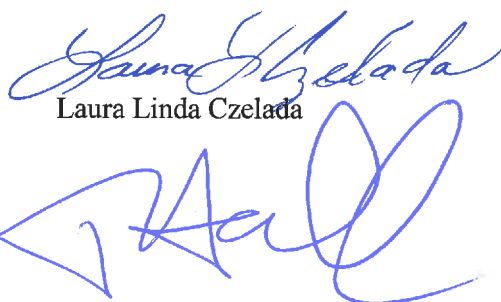
Mark Davidson  
Chairman



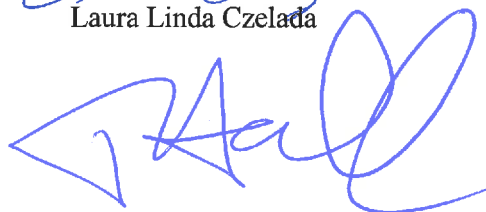
Goran Mike Jurkovic



Ole Ærthøj



Laura Linda Czelada



Toby Lincoln Hall

## Management commentary

### Primary activities

#### 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 a result of a strongly growing book of business, the competitive pricing, the high volume of claims, which is not abnormal when new groups are introduced to a product like dental insurance and due to the high level of cost of starting up operations. The expectation is that this will normalize in later years. This is not a result from adverse risks. The management believes that the loss ratio will improve with maturity of the book of business. Upon introduction of a dental insurance product a lot of previous neglect and legacy needs to be taken care of, which comes at a high cost. This should normalize in the years after.

The growth has slowed down in 2018 due to the increased level of competition and due to the fact that last years' growth was heavily influenced by the adoption of dental insurance as employee benefit by Finansforbundet on behalf of all bank employees. So far no other large unions have followed the example of Finansforbundet.

#### Solvency

The shareholders have injected an amount of DKK 20 million into the company in July 2018, ensuring that the company's solvency position exceeds the requirements and that the company can meet all its obligations.

#### Private Market

While the focus has been on the corporate market in 2017, the company is still interested in the private market. The company plans to introduce new product models for this segment in the second half of 2018 to facilitate sales.

#### Corporate Market

The effort put into developing the employer market in 2016 has materialized and we have seen a large growth in this segment and expect that this growth will continue. We are encouraged that the market is showing an interest similar to private health insurance, that 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 60 years of experience, GDI, through its sister company Dansk Tandforsikring, is the ideal partner for established, traditional insurance companies.

#### Customer appreciation

Dansk Tandforsikring's level of service is greatly appreciated by the market, resulting in very favorable ratings on TRUSTPILOT, an accepted online satisfaction measuring tool. Dansk Tandforsikring receives the highest possible appreciation resulting in a top position within the Danish insurance industry.

## Significant risks and uncertainties

### Business risks

There are five 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. Based on the successful introduction and the adoption of dental insurance by the banking sector this risk seems to become smaller every year.

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. This risk has been noticeable in the first few years through cancellations, but the book of business has stabilized considerably in 2017 and 2018.

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.

A fifth risk is the level of competition. As soon as a market matures it attracts competition. As a specialist the company is fully aware of the current level of competition and it is aware of future potential initiatives. The company believes that it is well equipped through its high level of automation and low cost of handling to maintain a competitive advantage.

### 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 2018 and in the years to come. Research is still ongoing to investigate the market potential in other countries. The company has spent a lot of effort to prepare itself for the introduction of the EU GDPR in 2018 and has successfully implemented the necessary changes before the due date.

### 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.

The interim report is unaudited and has not been reviewed by the company's auditors.

## Income statement for the period from 1 January to 30 June 2018

	<u>Notes</u>	<u>01.01 - 30.06.2018 DKK</u>	<u>01.01 - 30.06.2017 DKK'000</u>
Gross premiums		16.809.807	10.427
Change in premium provisions		<u>(51.204)</u>	<u>(3.590)</u>
<b>Premium income net of reinsurance</b>		<b>16.758.604</b>	<b>6.836</b>
<b>Insurance technical interest</b>		<b><u>(20.682)</u></b>	<b><u>(7)</u></b>
Claims paid		(20.055.258)	(3.661)
Change in claims provisions		(2.760.236)	(453)
Change in risk margin		<u>(226.102)</u>	<u>(38)</u>
<b>Total costs of claims net of reinsurance</b>		<b><u>(23.041.595)</u></b>	<b><u>(4.152)</u></b>
Acquisition costs		(3.385.894)	(2.274)
Administrative expenses		<u>(1.032.868)</u>	<u>(800)</u>
<b>Total insurance operating costs, net of reinsurance</b>		<b><u>(4.418.763)</u></b>	<b><u>(3.074)</u></b>
<b>Technical result</b>		<b><u>(10.722.436)</u></b>	<b><u>(396)</u></b>
Interest income and dividends		471.881	473
Value adjustments		(226.763)	(308)
Interest paid		(3.771)	(1)
Administration expenses in connection with investment activities		<u>(36.345)</u>	<u>(33)</u>
<b>Total investment return</b>		<b><u>205.002</u></b>	<b><u>131</u></b>
Return and value adjustments on insurance provisions		<u>28.278</u>	<u>8</u>
Investment return after return and value adjustments on insurance provisions		<u>233.280</u>	<u>139</u>
<b>Profit/loss before tax</b>		<b><u>(10.489.156)</u></b>	<b><u>(257)</u></b>
Tax		<u>0</u>	<u>0</u>
<b>Profit/loss for the year</b>		<b><u>(10.489.156)</u></b>	<b><u>(257)</u></b>
Other comprehensive income		<u>0</u>	<u>0</u>
<b>Total comprehensive income</b>		<b><u>(10.489.156)</u></b>	<b><u>(257)</u></b>

## Balance sheet at 30 June 2018

	<u>Notes</u>	<u>30.06.2018</u> <u>DKK</u>	<u>31.12.2017</u> <u>DKK'000</u>
Bonds		32.996.618	39.260
<b>Total investment assets</b>		<b>32.996.618</b>	<b>39.260</b>
Receivables from policyholders		17.153.103	2.279
Receivables from group undertakings		1.211.508	1.084
Other receivables		1.213.549	2.034
<b>Total receivables</b>		<b>19.578.160</b>	<b>5.397</b>
Cash		5.628.018	7.933
<b>Total other assets</b>		<b>5.628.018</b>	<b>7.933</b>
Interest		230.974	252
<b>Total accruals and deferred income</b>		<b>230.974</b>	<b>252</b>
<b>Total assets</b>		<b>58.433.770</b>	<b>52.842</b>



## Balance sheet at 30 June 2018

	<u>Notes</u>	<u>30.06.2018</u> <u>DKK</u>	<u>31.12.2017</u> <u>DKK'000</u>
Share capital equivalent funds		42.000.000	42.000
Profit or loss brought forward		<u>(19.498.995)</u>	<u>(9.010)</u>
<b>Total equity</b>		<b><u>22.501.005</u></b>	<b><u>32.990</u></b>
Premium provisions		12.535.990	12.484
Claims provisions		7.510.489	4.758
Risk margin		<u>638.392</u>	<u>413</u>
<b>Total provisions for insurance contracts</b>		<b><u>20.684.871</u></b>	<b><u>17.655</u></b>
Creditors arising out of direct insurance operations		1.255.460	34
Amount payable to group undertakings		7.995	17
Other debt		<u>26.565</u>	<u>590</u>
<b>Debt</b>		<b><u>1.290.020</u></b>	<b><u>641</u></b>
<b>Accruals and deferred income</b>		<b><u>13.957.874</u></b>	<b><u>1.556</u></b>
<b>Total equity and liabilities</b>		<b><u><u>58.433.770</u></u></b>	<b><u><u>52.842</u></u></b>
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## Statement of changes in equity for first half of 2018

	<u>Share capital DKK</u>	<u>Retained earnings DKK</u>	<u>Total DKK</u>
<b>Equity at 01.01.2017</b>	<b>42.000.000</b>	<b>(2.993.304)</b>	<b>39.006.696</b>
Profit/loss for the year	0	(6.016.535)	(6.016.535)
Other total income	<u>0</u>	<u>0</u>	<u>0</u>
<b>Equity at 31.12.2017</b>	<b>42.000.000</b>	<b>(9.009.839)</b>	<b>32.990.161</b>
<b>Equity at 01.01.2018</b>	<b>42.000.000</b>	<b>(9.009.839)</b>	<b>32.990.161</b>
Profit/loss for the year	0	(10.489.156)	(10.489.156)
Other total income	<u>0</u>	<u>0</u>	<u>0</u>
<b>Equity at 30.06.2018</b>	<b><u>42.000.000</u></b>	<b><u>(19.498.995)</u></b>	<b><u>22.501.005</u></b>

Own 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 are unchanged according to last year.

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

### Significant accounting estimates, assumptions and uncertainties

The calculation of the accounting value of certain assets and liabilities is determined on the basis of certain specific assumptions that imply the use of accounting estimates and assumptions. These estimates and assumptions are made by management in accordance with accounting policies and based on historical experience and assumptions which management considers to be true and fair.

Due to the nature of the estimates, the assumptions used may prove incomplete and furthermore unexpected future events or circumstances may arise. As a result, third party can reach other estimates.

In Global Dental Insurance A/S, risk management takes the form of the Board of Directors assessing and deciding on all relevant risks in accordance with the rules set out in the Danish Financial Business Act and the Danish Companies Act. These risks are both of a financial and an operational nature. The company has prepared policies and guidelines in all key areas with a view to managing these risks.

Relevant risks primarily relate to insurance risk, credit and counterparty risk, market risk and operational risk.

## Notes

### Insurance risk

Insurance risk is assessed on the basis of general principles for the key insurance risks that the company may accept based on the prepared policies and guidelines for risk acceptance (acceptance policy).

Part of the risk naturally relates to the assessment of claims provisions. GDI makes extensive use of technical assistance from professional dentists when determining and assessing claims and underwriting.

Determination of the carrying amount of claims provision is related to estimates that relate mainly to the historical technical data. The determination of the various assumptions is based on recognized actuarial calculations, which by nature are difficult. This means that the measurement of claims provisions is naturally subject to uncertainty.

### Financial risks

Market risk is assessed taking into account the set investment policy according to which it is the company's policy to manage invested funds with a low risk profile. Investments are mainly placed on short-term deposit or invested in Danish bonds with short remaining maturities. The company monitors developments in the financial market on an ongoing basis, through reporting from the company's brokers.

### Credit and counterparty risk

The company's credit and counterparty risk primarily relates to receivables from policyholders and group undertakings connection with the insurance contracts and cash deposits in banks. In order to limit the counterparty risk the company's investment policy specify limits on the size of deposits in each individual bank.

### Operational risk

Operational risk is monitored and mitigated on an ongoing basis through prepared policies and procedures that are controlled and updated.

### 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.

## Notes

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, net of reinsurance**

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.

#### **Claims incurred, net of reinsurance**

Claims incurred consist of the claims paid together with direct and indirect costs for claims handling, 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-of 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 provision of claims due to changes in the yield curve and exchange rates are recognized as a value adjustment.

#### **Insurance operating costs, net of reinsurance**

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.

## Notes

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.

Commissions received from reinsurers are accrued over the period of cover 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, net of reinsurance, resulting from changes in the discount rates used is also recognized.

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.

### **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 directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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.

## Notes

### Balance sheet

#### Bonds

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 equalling nominal value less provisions for bad debts.

#### Equity

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

#### Provisions for insurance contracts

Provisions for insurance contracts 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 provisions for insurance contracts are recognized, taking into account, the deductions for direct acquisition costs.

If the company's portfolio is expected to be loss-making as a result of claims expenses occurring after the balance sheet date, the premium provisions shall include an amount to cover the loss to be calculated taking into account the risk margin. This amount is subsequently referred to as provision for unpaid risk.

Risk margins are distributed between premium and compensation provisions based on expected payments. Provision for unearned risk is calculated as the part of the expected payments + the provision of premiums on the risk margin, which exceeds the premium provisions calculated by pro rata temporis. The expected payments on premium provisions are calculated gross of acquisition costs and based on an expected loss ratio for future claims.

#### 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).

## Notes

Provisions for claims are discounted. The future payments will be discounted back according to the zero coupon interest rate structure set by the Danish Financial Supervisory Authority.

### 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.

## 2. Key Figures

	1. half of 2018	1. half of 2017	1. half of 2016	1. half of 2015	1. half of 2014
<b>Profit and Loss</b>					
Gross premiums	16.809.807	10.426.728	4.612.474	767.429	0
Gross claims incurred	(23.041.595)	(4.152.224)	(1.668.844)	(546.192)	0
Total operating expenses	(4.418.763)	(3.073.533)	(3.330.677)	(650.248)	(108.659)
Result of reinsurance (- =net cost)	0	0	0	0	0
Underwriting result	(10.722.436)	(396.341)	(389.163)	(430.424)	(108.659)
Profit/loss of investment after transfer of technical interest	233.280	139.160	(41.617)	(1.057.678)	22.651
Profit for the year	(10.489.156)	(257.268)	(430.780)	(1.145.214)	(73.737)
Gross run-off profit/loss	850.063	1.110	175.895	0	0
Run-off profit/loss, net of reinsurance	850.063	1.110	175.895	0	0
<b>Assets and Liabilities</b>					
Insurance assets	0	0	0	0	0
Technical provisions	20.684.871	7.414.240	2.787.567	1.312.843	0
Capital and reserves at period-end	22.501.005	38.749.428	39.796.319	40.781.049	41.926.263
Total assets	58.433.770	47.826.564	45.412.862	44.591.529	42.034.922
<b>Key figures</b>					
Gross claims ratio	137.5%	60.7%	36.2%	67.4%	-
Gross expense ratio	26.4%	45.0%	72.2%	84.7%	-
Reinsurance ratio	0%	0%	0%	0%	-
Combined ratio	163.9%	105.7%	108.4%	152.1%	-
Operating ratio	164.1%	105.8%	108.4%	152.4%	-
Relative run-off result	17.5%	0.1%	36,0%	0%	-
Return on capital and re- serves	-37.8%	-0.7%	-1.1%	-2.6%	-0.2%
Solvency cover	121%	208%	211%	217%	N/A



