

1 September 2025

Statement on functional inspection at Danica Pension, Livsforsikringsaktieselskab

In November 2024, the Danish Financial Supervisory Authority (the Danish FSA) conducted a functional inspection at Danica Pension, Livsforsikringsaktieselskab (the company).

The purpose of the inspection was to examine the company's business model for the health and accident insurance business and the valuation of technical provisions associated with the company's health and accident insurance product Loss of Earning Capacity. The Danish FSA has reviewed the company's health and accident insurance business model, including the capital plan and the procedure for follow-up on financial results as well as the valuation process for the company's health and accident insurance product Loss of Earning Capacity, including the assumptions made in the calculation of provisions. The Danish FSA has not reviewed the company's governance system, including governance documents, committee structures and overall model governance, in connection with the valuation process.

Summary and risk assessment

The Danish FSA assesses that there is a risk that Danica's business model for its health and accident insurance business is not viable. The assessment is based on identified large historical losses, pricing based on a best estimate plus a limited margin and on the company's own assessment that the health and accident results may be subject to random large fluctuations. The Danish FSA's assessment is independent of the amount of excess capital. Legislation requires that the health and accident insurance business and the life insurance business must be individually viable. Against this background, the company has been ordered to prepare an explanatory account of and a plan for the financial condition of and the prospects for the health and accident insurance business¹.

The Danish FSA assessed that the company's validation of the actuarial and statistical methods applied to the calculation of health and accident insurance provisions is inadequate because there are no analyses supporting the company's choice of actuarial and statistical methods. The chosen methods must appropriately reflect the risks affecting the underlying cash flows. The company has been ordered to further validate the methods applied to the calculation of provisions².

In the opinion of the Danish FSA, the company's validation of assumptions, including the use of expert assessments in the calculation of the technical provisions for the Loss of Earning Capacity product, is inadequate because it lacks statistical analyses in certain situations. The purpose of the validation of the assumptions of the company's provisioning model is to enable the company to assess whether the assumptions meet the requirements that they must be adequate and realistic. The company has been ordered to further validate the assumptions in the provisioning models³.

¹ See section 276(1) the Danish Insurance Business Act.

² See article 264(1)(f) of the Solvency II Regulation.

³ See article 264(1)(e) of the Solvency II Regulation.