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ANNUAL GENERAL MEETING The Annual General Meeting will be held on 5 September 2019.

FIGURES AT A GLANCE

In a challenging market, we have maintained our track record of positive underwriting results and delivered a strong result in a volatile market. The following key figures sum up the year.

POSITIVE UNDERWRITING RESULT FOR

16 YEARS

Our controlled underwriting is of vital importance to maintain positive underwriting results.

COMBINED RATIO

98%

A combined ratio below 100% indicates a positive underwriting result and is measured by calculating the sum of claims and operating expenses as a percentage of premium income.

BOTTOM LINE RESULT

11 MUSD

Bottom-line income of USD 11 million was driven by strong performance from commercial P&I and low claims frequency.

The combined ratio by contribution is as follows:

MUTUAL	101%
COMMERCIAL	95%

PREMIUM INCOME

402 MUSD

Our premium income fell from 413 MUSD in the previous year due to careful selection both of mutual and commercial risks in a very competitive market environment.

NET INVESTMENT INCOME

1 MUSD

Global investment market volatility weighed on Skuld's net investment income for the year, increasing the bottom line by USD 1 million.

CONTINGENCY RESERVE

453 MUSD

Skuld's contingency reserve now stands at a record high USD 453 million, making us robust and well placed for future challenges.



Skuld is 'A' rated by Standard & Poor's and has a strong financial position.

Skuld maintains a strong customer focus and longstanding relationships with members and clients.

PURPOSE

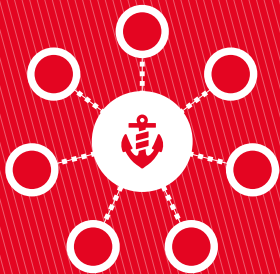
PROTECTING OCEAN INDUSTRIES



'Protecting ocean industries' is Skuld's purpose statement. It underlines our role in society and our commitment to members and clients, global ocean industries, climate challenges, and UN sustainable development goals.

STRATEGY

DIVERSIFICATION – INNOVATION – SUSTAINABLE GROWTH



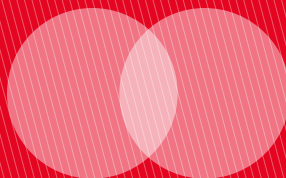
We have a firm commitment to Skuld's strategy and will continue to grow sustainably both in P&I and commercial marine insurance. We will not compromise on our outstanding service and competence to our members and clients while we serve a growing share of the ocean industries community.

ONE TEAM

SKULD P&I / SKULD HULL

We cover all marine insurance needs of the shipping and offshore industry.

SKULD P&I



SKULD HULL

SYNERGIES

We now consolidate all our commercial underwriting, including hull and offshore energy business, onto Skuld's 'A' rated corporate paper. This creates transparency and clarity for members and clients and further coordination of our hands-on service.





CONTINUED GROWTH

Skuld's consistent approach has delivered 16 consecutive years of underwriting surplus and a 2018/19 aggregate combined ratio of 98%.

2018 was a challenging year both for shipowners and for global insurance markets, with volatile financial markets and a rating environment depressed by sustained, intense competition. Against this backdrop, our underwriting surplus endorses our firm commitment to Skuld's strategy of diversification, innovation and sustainable growth.

Mergers and acquisitions in the shipping market and re-imposition of Iran sanctions led to higher-than-usual turnover among the membership in 2018, but Skuld P&I enjoyed the significant net growth essential to our ambitions. We continue to recruit new members of the highest quality, who add to Skuld's unique strengths.

A SOLID STRATEGY

The overriding focus at Skuld is to provide outstanding service and competence to our members and clients. This requires us to be committed to our strategy.

In recent years we have expanded our offering beyond traditional P&I to include marine and energy insurance underwritten through syndicate 1897 at Lloyd's and Skuld Marine Agency. We will now consolidate all our commercial underwriting onto Skuld's corporate paper, which enables us to deliver our highly regarded insurance services through a more streamlined structure, with improved operational synergies.

Skuld 1897 at Lloyd's will cease to accept new business by July 2019. All outstanding policies will be handled in-house, to ensure full continuity of service to members and clients. I thank sincerely everyone involved with Skuld 1897 since its launch in 2011. The global hull and machinery market has been under intense pressure all these years, while our Skuld 1897 team made great efforts to maintain our Lloyd's business under severe soft market conditions.

Despite challenges at Lloyd's, commercial underwriting again yielded a positive combined ratio and contributed to our bottom line. Members and clients benefit both from our comprehensive offer and from the duality of income streams it provides.

“We will continue our diversification journey as we serve a growing share of the ocean industries community.”

Claims frequency has declined for the entire industry, but the severity of very large claims has increased. An unusually large number of claims reached the International Group pool in 2018/19, which brought significant costs to all clubs, while Skuld faced just two pool claims, a normal number.

We continue to recognise the vital importance of collaboration through the International Group of P&I clubs. It delivers the most cost-effective service possible by pooling large claims and acquiring joint reinsurance without a profit margin. It is additionally a valuable forum for knowledge- and information-sharing which gives our members a competitive edge.

DIGITISATION: A STRATEGIC FOCUS

The insurance sector may have lagged behind in digitisation, but the advantages of computing and connectivity are now reaching full force. Skuld has recruited experts and built comprehensive data and analytics functions into our daily operations. The result is enhanced risk assessment and improved loss prevention advice for members and clients.

We are exploring on-line trading platforms and have launched a new Skuld.com logged-in area to provide real-time risk data and detailed information to brokers and members. While digital processes and efficiencies are important, our focus on strong relationships and a personal touch will not dissipate.

PROTECTING OCEAN INDUSTRIES

‘Protecting ocean industries’ is Skuld’s purpose statement. It underlines our role in society and our commitment to members and clients, global ocean industries, climate challenges, and UN sustainable development goals.

Skuld contributes to sustainable solutions by assessing and surveying shipping risks, conducting comprehensive casualty response services, and delivering extensive loss prevention programmes which aim to safeguard casualties and prevent injury to people, the environment and property.

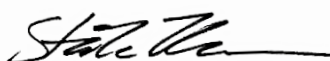
Skuld’s role is to ensure that we assist our customers as they adapt to multiplying global demands. We believe that a wider scope of protection for traditional shipping as well as emerging ocean industries such as aquaculture and renewable energy will be within Skuld’s purpose for many years to come.

SKULD INTO THE FUTURE

Our skilled professionals are the real, irreplaceable capital in our knowledge-based industry. By making Skuld a good place to work and supporting our staff’s personal work-life balance, we see them even more motivated to support members and clients.

Skuld continues in robust health, but does so cautiously. Increased insurance premium rates are essential to the stability of the market. We will continue to price risks accurately and sustainably, in the interest of our members, clients and the club no matter what strategy others choose to adopt.

Much is in the pipeline. We will continue our diversification journey as we serve a growing share of the ocean industries community. We will remain physically close to members and clients, adding resources where necessary to ensure seamless delivery of 24/7 service for every member and client regardless of their location, always backed by Skuld’s experienced global team. I thank all of Skuld’s exceptional staff for making that possible. I also thank our members, clients and brokers for their support and great collaboration during 2018/19.



STÅLE HANSEN
President and CEO



STEADY AS SHE GOES

Despite a difficult year for the shipping and insurance markets Skuld continues to attract global quality tonnage, which is testament to its excellence.

Global shipping and insurance markets have operated in parallel for many years, towards the bottom of their respective pricing cycles. Some minimal recovery may be under way for insurers, but the shipping industry's outlook remains challenging. From this perspective, Skuld has proved a robust and reliable partner for shipowners amidst mutual adversity. It is a well-managed, high-quality organisation that successfully delivers effective and relevant products.

SATISFYING RESULTS

Given the difficult circumstances, Skuld's positive 2018/19 result is satisfying. Indirectly, claims through the International Group pool had a notable negative effect, while Skuld's claims development was as anticipated. Investment income was down dramatically.

However, the consolidated figures, income streams, technical results and bottom line are pleasing, and a sixteenth consecutive annual underwriting surplus is probably an industry record. Our strong management team under Ståle Hansen is in control and continues to deliver for members and clients.

Most shipping markets have been under pressure since the crisis of 2008. The industry overall is healthy and in good form, but capacity is just too high. The surfeit of vessels and newbuilding facilities will take many years to reverse. Skuld's directors and executives always have that in mind when managing the insurer's affairs.

SERVICE THE SKULD WAY

Skuld is a quality insurance provider. Benchmarking exercises place it in the premier league by every metric, from claims handling and loss prevention measures to premium rates and physical locations.

“Shipowners need a strong insurance partner to meet the demands of society and industry for more sustainable operations.”

Skuld provides shipowners with direct, 24/7 personal and local service from 10 offices throughout the world. I have benefitted from Skuld's service over many years as a member and client. Skuld has invested in an international human resource that puts the best legal advisors and claims handlers to hand instantly, anywhere. That is something competitors find very difficult to emulate.

Shipowners need a strong insurance partner to meet the demands of society and industry for more sustainable operations. I am proud that Skuld takes a firm commitment to the UN sustainable development goals. In the face of financial and legislative environments of rising complexity, we can rely on Skuld's expertise. Its professionals are on top of the relevant knowledge, and help shipowners to respond. This is part of Skuld's strategic service goals and its commitment to protect ocean industries.

DIVERSIFICATION AND STRATEGIC CONSOLIDATION

Skuld brings its sector-leading service to a wider group through diversification within P&I and further into commercial insurance for ocean industries. This strategy engenders the growth which allows Skuld members and clients to meet all their risk and insurance needs on a competitive level through a single insurer.

Skuld's board has decided to cease the Lloyd's operation of Skuld's syndicate 1897 by July 2019, and to underwrite all its hull and offshore energy business on the 'A' rated corporate paper of Assuranceforeningen Skuld (Gjensidig). This consolidation creates transparency and clarity for shipowners and will offer both improved operational synergies and coordinated hands-on service.

Day by day, Skuld's commercial underwriting adds value. Despite the challenges mentioned above, Skuld's commercial business contributed positive income in 2018/19. It will continue to improve and expand for the benefit of members and clients, thereby strengthening Skuld's quality brand.

LOOKING AHEAD

Insurance markets remain intensely competitive. Skuld stands strong, with shipowners who are aware that the cheapest premium does not always reflect the best value. Owners want a package of insurance that gives them confidence in their coverage and the claims and advisory services behind it.

Skuld is here to stay but will not be static. Management, and the board on behalf of members, believe we must be dynamic – aggressive, even – to protect and build on our strong platform. We will continue to grow sustainably both in P&I and commercial marine insurance.

Skuld remains in an excellent position. Its solid and experienced management team and extraordinarily dedicated employees have delivered another fine result. Skuld's culture is vital, fuelled by the genuine respect and fondness members, clients and others feel for Skuld. This is something we can all be proud of.



KLAUS KJÆRULFF
Chairman of the Board

KEY FIGURES 2018/19

Skuld has delivered a positive technical result for the 16th consecutive year and ended the 2018/19 financial year with a positive result of USD 11 million. The combined ratio ended at 98%, and contingency reserve now stands at a record high USD 453 million.

Skuld's mutual P&I business continues to grow and has delivered balanced result for the financial year. The main driver behind the positive result is a strong performance from commercial P&I. Skuld experienced a more benign year in terms of large losses and as the claims frequency remained low throughout the year the technical result ended with a surplus. Skuld reported two pool claims to the International Group of P&I clubs, while claims cost reported from other clubs was above expectation.

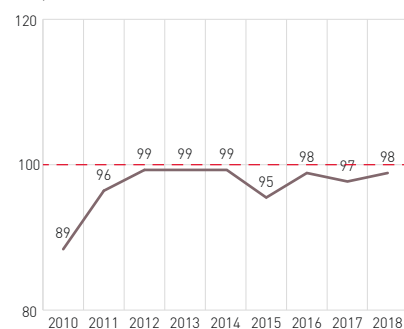
In February 2019, Skuld announced that all underwriting of hull and machinery and offshore energy will be transferred to the corporate paper of Assuranceforeningen Skuld (Gjensidig).

Net investment income ended at USD 1 million including currency effects. The global market volatility and challenging market conditions had a significant impact and the pure investment return ended at zero for the financial year. Skuld's long-term conservative investment strategy with a majority in low-risk bonds remains unchanged and has been a strategic choice over time to reduce volatility and to ensure sufficient capital for sustainable growth.

The positive result contributes to a strong capital adequacy for Skuld well above the capital requirements set by the Solvency II regulators. Skuld has a clean A (stable outlook) rating by Standard & Poor's.

COMBINED RATIO

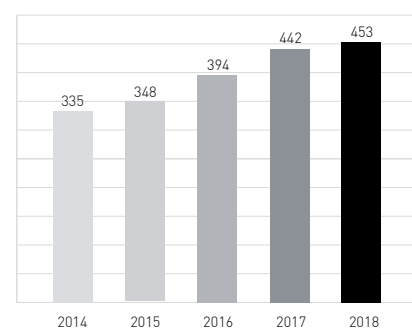
\ In percent



The combined ratio is a measure of underwriting performance calculated by the sum of claims and operating expenses as a percentage of premium income. A ratio below 100% indicates a positive underwriting result, while a ratio above 100% means that more money is paid out in claims than what is received in premiums.

CONTINGENCY RESERVE

\ USD mill.

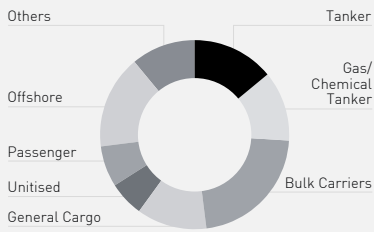


TRANSPARENCY POLICY

Skuld was the first member of the International Group of P&I clubs to publish six-month and nine-month reports in addition to the annual review and has done so since 2003. Transparent, clear and precise communication with members and clients, brokers, the general public and the media is a priority for Skuld. Our objective is to ensure that all information made available by Skuld is accurate and relevant, and we continuously develop our communication with stakeholders.

PREMIUM DISTRIBUTION*

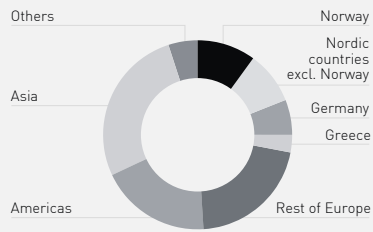
\ By vessel type



* Total gross premium all products: USD 402 million

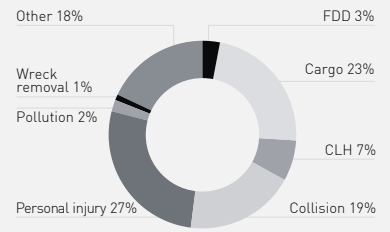
PREMIUM DISTRIBUTION

\ By region



DISTRIBUTION OF CLAIMS COSTS

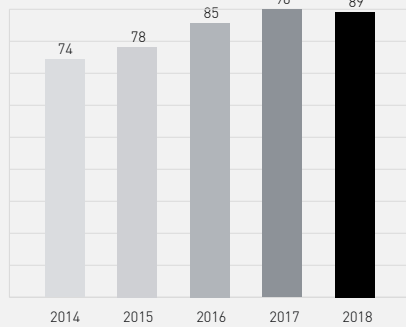
\ In percent



Only claims relating to the Association included in the above chart.

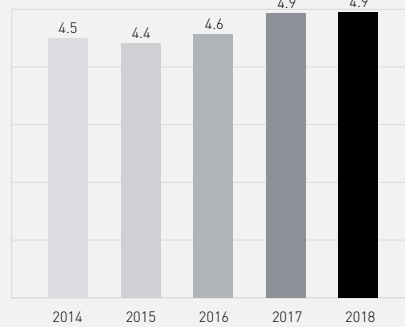
P&I OWNERS' GT

\ Mill. GT



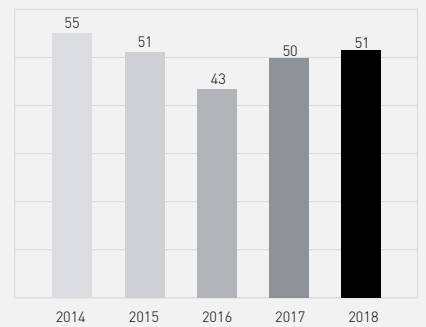
CONTINGENCY RESERVE PER GT

\ USD



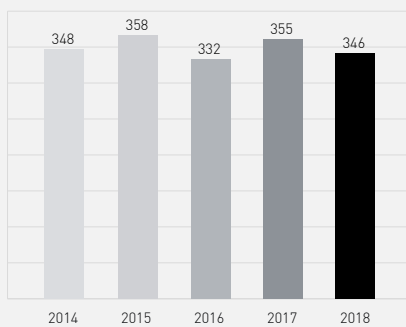
CHARTERERS' LIABILITY GROSS PREMIUM

\ USD mill.



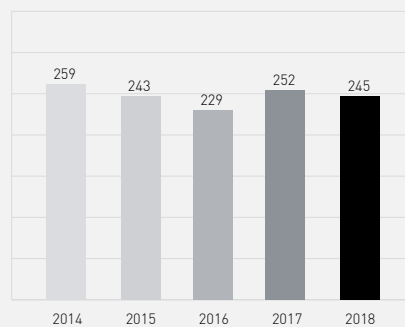
NET PREMIUMS AND CALLS FOR OWN ACCOUNT

\ USD mill.



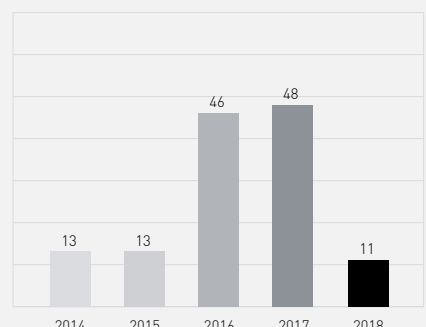
NET CLAIMS INCURRED FOR OWN ACCOUNT

\ USD mill.



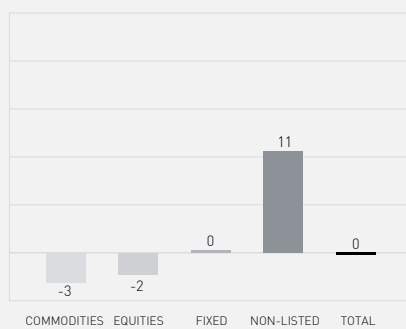
BALANCE CARRIED TO CONTINGENCY RESERVE

\ USD mill.



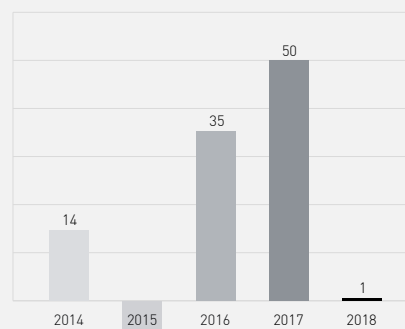
INVESTMENT PERFORMANCE

\ In percent



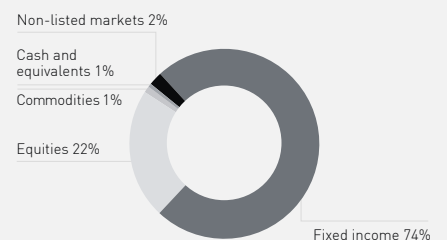
NET INVESTMENT INCOME

\ USD mill.



INVESTMENTS BY ASSET CLASS

\ In percent



CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT AS AT 20 FEBRUARY 2019

MUSD	2018/19	2017/18	2016/17	Restated 2015/16	2014/15
TECHNICAL ACCOUNT					
Premiums and calls	401.6	412.7	389.7	414.8	411.2
Reinsurance premiums	-56.1	-57.4	-58.1	-56.7	-63.6
Premiums for own account	345.6	355.4	331.6	358.2	347.6
Claims incurred for own account	-244.6	-251.6	-229.1	-243.3	-259.1
Acquisition costs	-74.5	-78.6	-69.9	-70.1	-69.9
Administrative expenses	-18.5	-19.6	-18.6	-17.9	-17.9
Discontinuation defined benefit scheme	0.0	6.0	0.0	0.0	0.0
Net operating expenses	92.9	-92.2	-88.5	-88.0	-87.8
Balance carried to non-technical account	8.0	11.6	13.9	26.9	0.8
NON TECHNICAL ACCOUNT					
Balance from technical account	8.0	11.6	13.9	26.9	0.8
Net investment income	0.9	50.1	35.5	-9.4	13.3
Taxes	0.5	-0.2	-1.7	-1.2	-1.0
Other result components	2.2	-3.9	2.9	1.5	
Distribution to members	0.0	-9.6	-4.7	-4.9	
Balance carried to contingency reserve	10.7	48.0	45.8	13.0	13.1

Syndicate 6126, Agora, is presented net in the accounts where the non-participating share is presented as reinsurance premiums.

BALANCE SHEET AS AT 20 FEBRUARY 2019

MUSD	2018/19	2017/18	2016/17	Restated 2015/16	2014/15
ASSETS					
Financial investments	845.1	850.7	694.0	697.5	684.9
Debtors	6.4	26.2	2.2	5.1	10.1
Other assets	170.3	146.4	265.1	186.0	171.8
Prepayment and accrued income	18.4	46.9	39.2	30.0	36.9
Total assets	1 040.1	1 070.1	1 000.5	918.6	903.7
LIABILITIES					
Provision for outstanding claims for own account	529.0	527.7	507.2	511.5	497.6
Contingency reserve	452.7	442.0	394.1	348.2	335.2
Minority interest	-3.4	-3.4	-2.6	-0.8	-0.8
Technical provisions for own account	978.3	966.4	898.7	858.9	832.0
Provisions for other liabilities	19.5	8.2	16.6	15.5	16.9
Creditors	33.0	58.7	46.4	17.8	24.8
Accruals and deferred income	9.4	36.8	38.7	26.3	30.0
Total liabilities	1 040.1	1 070.1	1 000.5	918.6	903.7

In the consolidated income and expenditure account, a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively.

CODE OF CONDUCT

Skuld's Code of Conduct describes our ethical commitments and requirements. It sets expectations for personal conduct and business practise and is based on our culture and our core values. Areas covered include conflict of interest, fraud prevention, human rights and employment conditions.

Code of Conduct highlights the principles that guide our business conduct and together with other global policies, guidelines and legal requirements, it applies to all leaders, employees and others who perform services on behalf of Skuld.

SUSTAINABILITY

Skuld contributes to sustainable solutions through assessing and surveying shipping risks, conducting comprehensive casualty response services and delivering extensive loss prevention programmes which aim to safeguard casualties and prevent injury to people, the environment and property.

COMMITMENTS TO SUSTAINABILITY

Skuld has selected five key UN sustainable development goals (SDGs) and drawn up the following commitments:



SDG 3:
GOOD HEALTH AND WELL-BEING
Skuld will ensure health and safety in work-life, on-shore as well as off-shore.



SDG 10:
REDUCED INEQUALITIES
Skuld will promote diversity internally and externally.



SDG 13:
CLIMATE ACTION
Skuld will integrate climate change measures in strategy and decision making.



SDG 14:
LIFE BELOW WATER
Skuld will promote resource-sensitive behaviours.



SDG 16:
PEACE, JUSTICE AND STRONG INSTITUTIONS
Skuld will act against corruption and bribery in all their forms.

People is our most important asset. Our service is personal and hands-on. Strong teamwork across Skuld offices and time zones underpins our close cooperation with members to protect their interests.

SERVICE AND TEAMWORK

CASUALTY RESPONSE

24/7/365

HANDS-ON CASUALTY RESPONSE
LEGAL, TECHNICAL AND OPERATIONAL SUPPORT
WORLDWIDE COLLABORATIVE NETWORK

14 **LARGE CASUALTIES:**
Salvage, wreck removal, large scale property damage etc. Including:
2 reported pool claims
1 major FFO
2 wreck removals
3 severe engine room fires

LOSS PREVENTION

150 **CONDITION SURVEYS**

175 **SEMINARS AND WORKSHOPS**

43 **WEB ARTICLES**

CLAIMS

9232 **P&I CLAIMS CASES OPENED**

107 **LAWYERS**
and claims executives

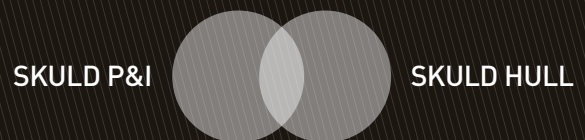
18 **LEGAL JURISDICTIONS**

Proactively serving members and clients with competence, experience and in-house legal and technical specialists.

UNDERWRITING

SYNERGIES – ONE TEAM

We cover all marine insurance needs of the shipping and offshore industry.



Serving shipowners, the offshore and energy sector, charterers and the superyacht community.

4.3%

MUTUAL TONNAGE GROWTH

Quality selection of members and vessels

285 **EMPLOYEES**

49/51 **RATIO MEN/WOMEN**

8 **AVERAGE YEARS EMPLOYED**

43 **AVERAGE AGE**

28 **NATIONALITIES**
in our staff



10 **OFFICES**
around the world



CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

All figures in USD 1,000	Note	2018/19	2017/18
TECHNICAL ACCOUNT			
Premiums and calls			
Gross premiums and calls	2, 12, 13	401 621	412 739
- Reinsurance premium	12,13	-56 070	-57 363
Earned premiums and calls for own account		345 551	355 376
Claims incurred			
Gross claims paid	3, 12, 13	300 443	273 777
- Reinsurance recoveries	3, 12, 13	-62 357	-29 529
Gross change in estimated outstanding claims	3, 12, 13	-39 133	283 998
- Reinsurers share	3, 12, 13	45 623	-276 665
Claims incurred for own account		244 577	251 580
Operating expenses			
Acquisition costs	4	74 478	78 615
Administrative expenses	4	18 460	19 648
Discontinuation defined benefit scheme		0	-6 019
Net operating expenses		92 937	92 244
Balance carried to non-technical account		8 037	11 552
NON-TECHNICAL ACCOUNT			
Balance from technical account		8 037	11 552
Investment income			
Investment income		4 581	7 272
Unrealised gains / losses on investments		-10 680	48 630
Realised gains / losses on investments		7 915	1 383
Total investment income / expenses		1 816	57 285
Investment management expenses			
Investment management expenses		1 464	1 550
Foreign exchange adjustments			
Foreign exchange adjustments		557	-5 653
Balance before tax on ordinary activities		8 945	61 634
Taxes			
Taxes		458	166
Other income and expenses			
Other income and expenses		2 210	-3 937
Profit and loss		10 697	57 531
Distribution to members		0	-9 580
Balance carried to contingency reserve		10 697	47 951

BALANCE SHEET

All figures in USD 1,000	Note	20.02.2019	20.02.2018
ASSETS			
Intangible assets			
Goodwill	5	872	1 643
Intangible assets	5	1 916	4 116
Tax loss carried forward		11 342	0
Total intangible assets		14 130	5 759
Financial assets			
Strategic investments		8 304	10 773
Shares	6	171 710	174 270
Bonds	6	638 881	637 020
Other investments	6	25 941	28 250
Other assets		300	339
Total financial assets		845 136	850 651
Debtors			
Members and brokers		2 976	1 760
Reinsurers		0	8 520
Other debtors		3 388	15 876
Total debtors		6 364	26 156
Other assets			
Fixed assets	5	8 076	8 396
Cash at bank		148 071	132 221
Total other assets		156 148	140 617
Prepayments and accrued income			
Prepayments and accrued income		18 366	46 908
Total assets		1 040 143	1 070 091
LIABILITIES			
Technical provisions			
Gross provision for outstanding claims	9	875 663	925 721
Reinsurer's share	9	-346 692	-397 980
Provisions for outstanding claims for own account	8	528 971	527 741
Contingency reserve	7	452 723	442 026
Minority interest		-3 396	-3 396
Technical provisions for own account	8,9	978 298	966 371
Provisions for other liabilities			
Pension liabilities		8 153	8 207
Provision for taxation		11 342	0
Total provisions for other liabilities		19 495	8 207
Creditors			
Members and brokers		17 232	10 451
Reinsurers		1 450	0
Other creditors		14 291	48 275
Total creditors		32 973	58 726
Accruals and deferred income			
Accruals and deferred income		9 377	36 787
Total liabilities		1 040 143	1 070 091

Paris, 9 May 2019

sign. Klaus Kjærulff Chairman of the Board	sign. Martin Larsen Board member	sign. Alexey Ostapenko Board member	sign. Bernt O. Bodal Board member
sign. John P. Tavliarios Board member	sign. Manfredi Lefebvre D'Ovidio Board member	sign. Catherine Cheung Board member	sign. Terje Hj Michelsen Board member
sign. Erik Hånell Board member	sign. Ann-Marie Åström Board member	sign. Trygve Seglem Board member	sign. Tor Christian Guttormsen Employees representative
sign. Claus Spinding Employees representative	sign. Ståle Hansen President & CEO		

ACCOUNTING POLICY

The accounts have been prepared according to regulations for Norwegian Insurance Companies and are prepared in USD. These sets of USD accounts are based on the official Norwegian accounts, but some reclassifications and modifications have been made in order to make the accounts comparable to the accounts of the other P&I clubs in the International Group.

- Provisions for bad and doubtful debts are included in calls and premiums.
- Interest on overdue payments is included in calls and premiums
- Claims management expenses are included in claims incurred.

The notes have been prepared in accordance with International Group of P&I Clubs' agreed accounting standards, hence they are a simplified version of the official accounts.

Basis of accounting

The accounts are prepared on an annual accounting basis and include the following:

- All premiums for policies commencing during the year.
- The cost of claims incurred and reinsurance for the current year.
- Any adjustments relating to earlier years.
- Operating expenses and investment income.

Consolidation

The consolidated accounts include the accounts for Assuranceforeningen Skuld (Gjensidig), Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd, Assuranceforeningen Skuld (Gjensidig)'s subsidiaries: Vika Management AS, Skuld Germany GmbH, Skuld Far East Ltd, Skuld Hellas Ltd, Skuld North America Inc, Skuld Services Ltd, Skuld Marine Agency (SMA) AS, Skuld Marine Claims Office (SMCO) AS, Skuld Investments Ltd, Skuld I Ltd (capital provider for Syndicate 1897 at Lloyd's) and Skuld II Ltd (capital provider for Syndicate 1897 at Lloyd's), and Hydra Insurance Company Ltd, Skuld Holding Ltd, Skuld Re Ltd and Skuld II Reinsurance (Bermuda) Ltd which are fully-owned and controlled by Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd.

In the accounts, shares in subsidiaries, receivables from and payables to subsidiaries, and transactions between the companies within the group, have been eliminated.

Calls and Premiums

Calls and premiums include gross calls and supplementary calls, less return premiums and provisions for bad and doubtful debts. These calls and premiums are the total receivable for the whole period of cover provided by the contracts commencing during the accounting period, together with any premium adjustments relating to prior accounting years and unearned premium for future accounting years. The calls and premiums include provisions for estimated future supplementary calls in respect of open policy years. The calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. A substantial part of the Lloyd's Syndicate's premiums for the policy year 2018 will be earned in 2019.

Claims

The claims expenses include all claims incurred during the year together with claims administration expenses. The technical provision for claims outstanding includes an element of claims incurred but not reported (IBNR). Provisions for claims are assessed individually by the claims handlers, and IBNR provision is based on empirical data for estimating the extent of subsequent claims based on statistical models. In addition, unallocated loss adjustment expenses are included in the technical provision for claims.

Reinsurance premiums

These include premiums payable to market underwriters, charged to the consolidated income and expenditure account on an accruals basis.

Reinsurance recoveries

Reinsurance recoveries are accrued to match relevant claims, and include estimated recoveries on estimated outstanding claims.

Operating expenses

Operating expenses consists of acquisition cost and administrative expenses, and prepayments that are accrued for.

Foreign currency

Income and expenses in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Assets and liabilities in foreign currencies are converted to the functional currency at the exchange rate at the date of the balance sheet. Changes in valuations due to changes in exchange rates between the date of the transaction and the date of the balance sheet are recognised in the income statement.

Investments

Financial assets are measured at transaction value at initial recognition. After initial recognition, financial assets are measured at fair value with profit and loss recognised in the income statement. Divested financial assets are measured at transaction value at derecognition.

Taxes

The Norwegian Ministry of Finance have for a number of years been working on new tax regulations for insurance companies. In 2018 the new tax regulations were approved with impact for the current financial year. Ministry of Finance are working on separate tax regulations for mutual associations with ambition to have these approved in 2019, but until these are approved the general rules will apply. According to the general rules the contingency reserve will be subject to tax and payable over a 10 year period. The effect in the 2018 financial accounts are presented under provision for taxation (liability) which is subsequently offset by tax loss carried forward (asset).

Except for the changes described above, there are no changes to accounting tax principles: the tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax assets are recognised when it is probable that the association or group will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the association or group no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset (long-term liabilities) in the balance sheet.

Other income and expenses

Other income and expenses consist of exchange differences on subsidiaries.

Note 2

PREMIUMS DISTRIBUTED BY COUNTRY

All figures in USD 1,000

Country	Premiums	%
Norway	38 102	9.5%
Nordic countries excl. Norway	29 820	7.4%
Germany	28 118	7.0%
Greece	22 691	5.6%
Rest of Europe	81 192	20.2%
USA	43 570	10.8%
Far East	90 170	22.5%
Other	67 957	16.9%
Total gross premiums and calls	401 621	100.0%

Note 3

NET CLAIMS INCURRED

All figures in USD 1,000

	2018/19	2017/18
Gross claims paid		
Own claims	278 962	261 937
Group Pooling arrangements	21 482	11 840
Gross claims paid	300 443	273 777
Reinsurance recoveries		
Group Pooling arrangements	-53 945	-34 223
Market underwriters	-8 412	4 694
Reinsurance recoveries	-62 357	-29 529
Net claims paid	238 086	244 247
Change in provision for gross claims		
Provision opening balance	925 721	617 049
Provision closing balance	875 663	925 721
Change in currency valuation at year end	10 925	-24 674
Gross change in estimated outstanding claims	-39 133	283 998
Less movements in provision for reinsurers' share		
Provision opening balance	-397 980	-109 856
Provision closing balance	-346 692	-397 980
Change in currency valuation at year end	-5 665	11 459
Reinsurers' share	45 623	-276 665
Change in provision for future claims		
Net change in claims provision	6 490	7 333
Claims incurred for own account	244 577	251 580

Note 4 NET OPERATING EXPENSES

All figures in USD 1,000

	Group		Association	
	2018/19	2017/18	2018/19	2017/18
Administrative expenses	18 460	19 648	9 018	11 111
Commissions	45 148	47 116	25 059	22 343
Allocated underwriting expenses	21 385	24 137	21 427	23 165
Marketing	4 165	3 579	2 261	1 655
Surveys	809	530	803	526
Depreciation intangible asset	2 971	3 253	2 200	2 195
Acquisition costs	74 478	78 615	51 750	49 883
Discontinuation defined benefit scheme	0	-6 019	0	-6 019
Net operating expenses	92 937	92 244	60 768	54 975

In the P&L, direct claims cost and a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively. The consolidated figures include the Skuld group's share of Syndicate 1897 at Lloyd's operating expenses.

In accordance with Schedule 3 of the international Group Agreement, the Association is required to disclose the Average Expense Ratio for the Association's P&I business. The operating expenses include all expenditure incurred in operating the Association's P&I business, excluding expenditure dealing with claims and a reasonable allocation of general overhead expenses. The premium includes all earned premium allocated to the policy year of origin.

For the five year period ended 20 February 2019, a ratio of 12.8% (12.7% at 20 February 2018) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

Note 5 FIXED ASSETS

All figures in USD 1,000

	Fixed assets	Intangible assets	Goodwill
Cost			
As at 20 February 2018	15 778	6 600	2 701
Purchases in the year	1 683	0	0
Sales / Scrapping in the year	0	0	0
As at 20 February 2019	17 461	6 600	2 701
Depreciation			
As at 20 February 2018	7 362	2 484	1 059
Depreciation on sold / scrapped assets	0	0	0
Depreciation this year	2 023	2 200	771
As at 20 February 2019	9 385	4 684	1 829
Net book value			
As at 20 February 2018	8 396	4 116	1 643
As at 20 February 2019	8 076	1 916	872

Note 6 FINANCIAL INVESTMENTS

All figures in USD 1,000

	20.02.2019 Market value	20.02.2018 Market value
Shares		
Listed shares and funds	171 710	174 270
Total shares	171 710	174 270
Bonds		
Treasuries	577 011	563 191
Corporate Securities	44 034	48 648
Cash and Money Market	5 705	4 610
Other	12 131	20 571
Total bonds	638 881	637 020
Other investments		
Commodity	9 135	9 402
Hedge Funds	5 120	5 062
Private Equity	11 685	13 786
Total other investments	25 941	28 250

Note 7 CONTINGENCY RESERVE

All figures in USD 1,000

	2018/19	2017/18
Contingency reserve opening balance	442 026	394 075
Balance carried forward to contingency reserve	10 697	47 951
Contingency reserve closing balance	452 723	442 026

Note 8 PROVISIONS FOR OUTSTANDING CLAIMS BY POLICY YEAR

All figures in USD 1,000

	2018	2017	2016	Closed years	Total
Gross estimated outstanding including IBNR	148 778	362 204	92 741	245 365	849 088
The Association's estimated share of other associations' pool-claims including IBNR	18 862	5 051	861	1 802	26 575
Gross provision for outstanding claims	167 639	367 255	93 602	247 167	875 663
Estimated outstanding recoveries including IBNR from:					
Pooling agreements	14 006	23 166	16 363	11 774	65 309
Group excess loss	0	112 428	0	10 504	122 932
Other reinsurers' share	2 254	112 674	17 197	26 326	158 451
Total estimated outstanding recoveries	16 260	248 269	33 559	48 605	346 692
Provisions for outstanding claims for own account	151 379	118 987	60 043	198 562	528 971
Contingency reserve	-20 585	-4 645	49 963	427 990	452 723
Minority interest	0	-836	-1 738	-822	-3 396
Technical provisions for own account	130 794	113 506	108 268	625 731	978 298

Note 9 TECHNICAL PROVISIONS FOR OWN ACCOUNT

All figures in USD 1,000	20.02.19	20.02.18
P&I		
Gross estimated outstanding including IBNR	656 006	738 191
The Association's estimated share of other Associations' pool-claims including IBNR	28 016	19 656
Gross provision for outstanding claims	684 022	757 847
Estimated outstanding recoveries from:		
Pooling agreements	-65 309	-197 687
Other reinsurers' share	-222 058	-135 302
Total estimated outstanding recoveries	-287 367	-332 989
Provision for outstanding claims for own account P&I	396 655	424 858
Lloyd's Syndicate		
Gross estimated outstanding including IBNR	156 537	137 563
Gross provision for outstanding claims	156 537	137 563
Estimated outstanding recoveries from:		
Other reinsurers' share	-58 796	-58 641
Total estimated outstanding recoveries	-58 796	-58 641
Provision for outstanding claims for own account Lloyd's Syndicate	97 741	78 922
Other		
Gross estimated outstanding including IBNR	35 104	30 311
Gross provision for outstanding claims	35 104	30 311
Estimated outstanding recoveries from:		
Other reinsurers' share	-529	-6 349
Total estimated outstanding recoveries	-529	-6 349
Provision for outstanding claims for own account Other	34 575	23 961
Total P&I, Lloyd's Syndicate and Other		
Provision for outstanding claims for own account	528 971	527 741
Contingency reserve	452 723	442 026
Minority interest	-3 396	-3 396
Technical provision for own account	978 298	966 371

Note 10 OFF-BALANCE SHEET ITEMS

Guarantees

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 985.6 million have been issued in connection with claims, of which the latter makes up by far the greater part. The face value of these guarantees greatly exceeds the expected payments from the related claims. The expected payments from these claims are fully covered in the provisions made for outstanding claims.

The Association entered into a 10-years lease period for the Oslo office building commencing 1 June 2012.

Note 11 RISK MANAGEMENT AND REPORTING

Skuld's core business is marine insurance, and underwriting risk is Skuld's main risk. Skuld is further exposed to financial risk, i.e. market risk and liquidity risk, due to investment activities. Operational risk is also relevant for Skuld.

Underwriting risk

The main documents for managing underwriting risk are Skuld's underwriting policy, describing management of underwriting risk, and more detailed underwriting instructions. Skuld's reinsurance policy describes the management of the reinsurance process. The main tool for managing and controlling underwriting risk is Skuld's partial internal model, calculating risk capital, the development of which is followed at least monthly by Enterprise Risk Management department.

In order to mitigate underwriting risk reinsurance is applied to ensure that underwriting risk is kept within risk appetite.

Note 11

Financial Risk

Financial risk consists of market risk, counterparty default risk and liquidity risk. Skuld is exposed to these types of risk through investment activities and the reinsurance programme. Total risk tolerance for market risk is described in Skuld's risk appetite statement. Investment mandates are established to respect these risk limits. The investment strategy details the operationalisation of investment beliefs, policy and mandates.

Skuld's liquidity strategy details a framework and guidelines for ensuring adequate cash management to meet liabilities in due time.

Market risk

Skuld's equity exposures are mainly investments in internationally diversified funds, with the majority focusing on the United States and other developed markets. There are also investments in private equity funds as well as hedge funds.

Shifts in interest rates will have an effect in the financial statement because outstanding claims are held at nominal value and are not adjusted to net present value. This implies that increased interest rates could cause a drop in the Skuld's assets while the liabilities are unchanged. In real economic terms the net present value of the liabilities will have the same drop and the total effect will be limited. Surplus assets will be exposed to the same risks, as they include fixed income instruments and holdings in other currencies than USD.

Counterparty default risk

Bond issuers, account receivables, bank deposits and reinsurers represent important counterparty risks. The majority of bond holdings consist of high rated issues. The average rating of bonds is AA (as defined by S&P). Minimum rating requirements are applied to reinsurers and banks, enabling efficient control of counterparty risk. Bank guarantees issued in favour of the group shall not be rated below A.

Liquidity risk

Liquidity is controlled by placing parts of financial assets in instruments that are highly liquid. A separate portfolio containing liquid bank deposits ensures sufficient cash resources to meet Skuld's daily obligations.

Operational risk

For operational risk, regulations require calculation of risk capital. Unlike for financial risks there is, however, no connection between risk capital and actual risk level, so that risk capital calculations have no real control function for operational risk. A risk assessment process, carried out at least bi-annually, as well as incident reporting and the follow-up of incidents are important tools to manage operational risk.

Note 12

POLICY YEAR STATEMENT BY CLASS AS AT 20.02.19

All figures in USD 1,000

	2018	2017	2016
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2017	0	0	266 051
years to 20 February 2018	0	260 578	23 077
current accounting year	254 564	20 978	856
	254 564	281 556	289 984
Supplementary calls levied in:			
years to 20 February 2018	0	0	0
current accounting year	0	0	0
	0	0	0
Total calls and premiums	254 564	281 556	289 984
Reinsurance premiums	-44 926	-46 947	-48 747
	209 638	234 609	241 237
Claims incurred net of reinsurance recoveries	-168 929	-207 979	-167 006
Net underwriting profit	40 708	26 629	74 231
Net operating expenses	-55 386	-56 582	-56 182
Net investment income	11 049	39 480	31 964
Taxes	-379	-89	-1 610
Total P&I	-4 008	9 439	48 403

	2018	2017	2016
Lloyd's Syndicate			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2017	0	0	58 185
years to 20 February 2018	0	66 505	43 224
current accounting year	30 549	48 876	6 495
	30 549	115 381	107 904
Total calls and premiums	30 549	115 381	107 904
Reinsurance premiums	-2 560	-41 098	-26 048
Claims incurred net of reinsurance recoveries	-23 784	-60 889	-65 352
Net underwriting profit	4 205	13 394	16 503
Net operating expenses	-12 229	-29 828	-28 661
Net investment income	-8 008	3 487	6 426
Taxes	0	0	0
Total Lloyd's Syndicate	-16 031	-12 946	-5 732

	2018	2017	2016
Other			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2017	0	0	17 649
years to 20 February 2018	0	32 852	766
current accounting year	31 688	17 096	39
	31 688	49 948	18 455
Supplementary calls levied in:			
years to 20 February 2018	0	0	0
current accounting year	0	0	0
	0	0	0
Total calls and premiums	31 688	49 948	18 455
Reinsurance premiums	-3 314	-1 317	-311
	28 374	48 631	18 144
Claims incurred net of reinsurance recoveries	-20 503	-38 554	-6 642
Net underwriting profit	7 871	10 077	11 502
Net operating expenses	-8 412	-11 023	-4 170
Net investment income	74	-115	62
Taxes	-79	-77	-101
Total Other	-545	-1 138	7 292
Total P&I, Lloyd's Syndicate and Other	-20 585	-4 645	49 963

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. A part of the Lloyd's Syndicate's premiums for the policy year 2018 will be earned in 2019. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year. Premiums and reinsurance for special purpose syndicate Agora is presented with gross amounts in the table above.

Note 13

POLICY YEAR STATEMENT AS AT 20.02.19 - MUTUAL AND FIXED BUSINESS

All figures in USD 1,000

	2018	2017	2016
Mutual			
Total calls and premiums	183 867	197 716	203 853
Reinsurance premiums	-24 927	-24 244	-29 737
	158 940	173 471	174 117
Claims incurred net of reinsurance recoveries	-139 799	-173 389	-130 118
Net underwriting profit	19 142	83	43 999
Net operating expenses	-39 492	-40 770	-39 550
Net investment income	10 121	25 917	26 776
Taxes	-255	-60	-1 145
Total Mutual	-10 484	-14 830	30 080
Lloyd's Syndicate			
Total calls and premiums	30 549	115 381	107 904
Reinsurance premiums	-2 560	-41 098	-26 048
	27 990	74 283	81 855
Claims incurred net of reinsurance recoveries	-23 784	-60 889	-65 352
Net underwriting profit	4 205	13 394	16 503
Net operating expenses	-12 229	-29 828	-28 661
Net investment income	-8 008	3 487	6 426
Taxes	0	0	0
Total Lloyd's Syndicate	-16 031	-12 946	-5 732
Fixed			
Total calls and premiums	102 384	133 788	104 585
Reinsurance premiums	-23 313	-24 020	-19 321
	79 071	109 768	85 264
Claims incurred net of reinsurance recoveries	-49 633	-73 144	-43 530
Net underwriting profit	29 438	36 624	41 734
Net operating expenses	-24 306	-26 835	-20 802
Net investment income	1 002	13 448	5 250
Taxes	-203	-106	-566
Total Fixed	5 931	23 132	25 615
Total Mutual, Lloyd's Syndicate and Fixed business	-20 585	-4 645	49 963

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. A part of the Lloyd's Syndicate's premiums for the policy year 2018 will be earned in 2019. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year. Premiums and reinsurance for special purpose syndicate Agora is presented with gross amounts in the table above.

PROTECTING OCEAN INDUSTRIES