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ANNUAL GENERAL MEETING The Annual General Meeting will be held on 3 September 2020.

FIGURES AT A GLANCE

We delivered a strong result which leaves us in a robust financial position in a volatile market.

The following key figures sum up the year.

CONTINGENCY RESERVE

466
MUSD

Skuld's **contingency reserve** now stands at a record high USD 466 million, making us robust and well placed for future challenges.

BOTTOM LINE RESULT

25
MUSD

Bottom-line income of USD 25 million was supported by a strong investment performance.

PREMIUM INCOME

391
MUSD

Our **premium income** fell from 402 MUSD in the previous year due to careful selection both of mutual and commercial risks in a very competitive market environment.

STANDARD & POOR'S

A

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

COMBINED RATIO

109%

A **combined ratio** below 100% indicates a positive underwriting result and is measured by calculating the sum of claims and operation expenses as a percentage of premium income. The combined ratio by contribution is as follows:

NET INVESTMENT INCOME

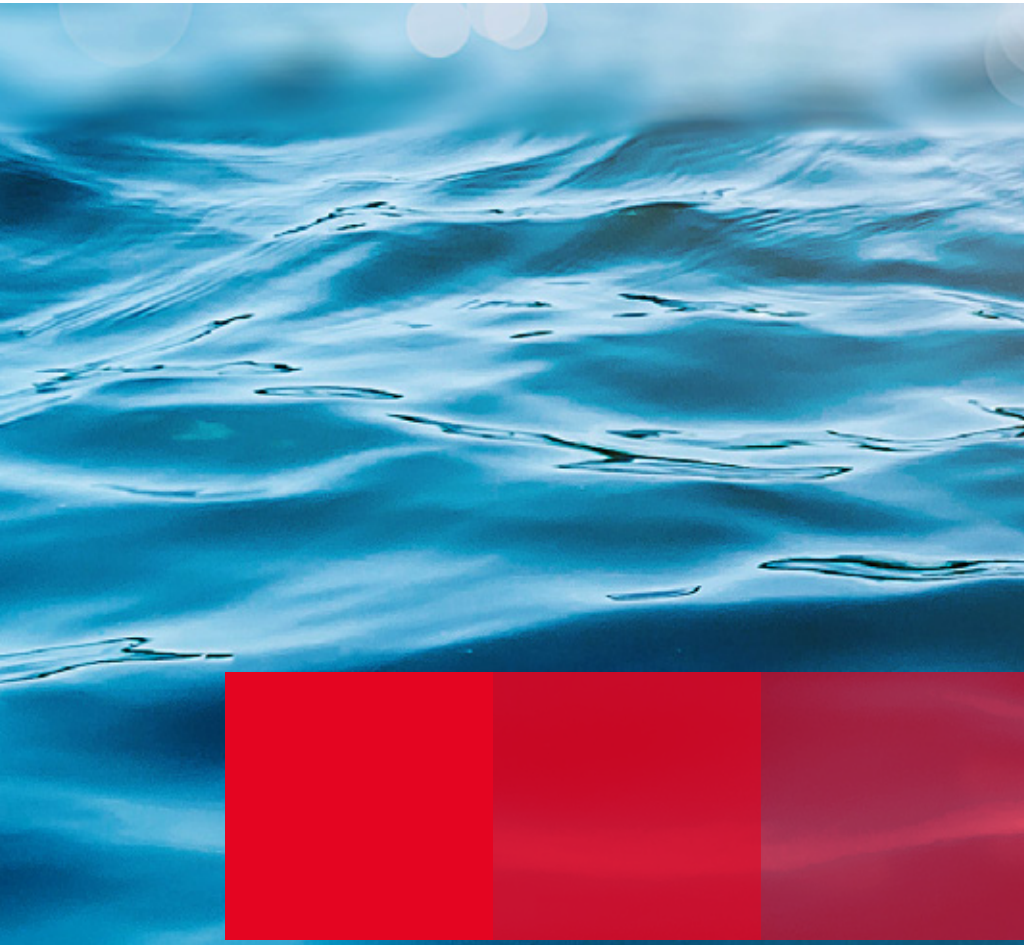
55
MUSD

Skuld's long-term conservative investment strategy and global investment market volatility favoured Skuld's investments, with a return of 5.5%.

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

Mutual: 119%
Commercial: 100%

PURPOSE, VISION AND STRATEGY



OUR VISION:

Skuld will be a world leading marine insurance provider through innovation, financial strength and the talents of our people.

OUR PURPOSE:

PROTECTING OCEAN INDUSTRIES

'Protecting ocean industries' emphasises our role in society, our commitment towards global ocean industries and our inherent role of protecting people, the environment and property.

OUR STRATEGY:

Skuld has a long-term strategy based on sustainable growth and diversification, offering unmatched service to our members and clients.

The mutual P&I business is the backbone of our organisation and to remain a strong marine insurance provider, we innovatively develop our commercial platform for the benefit of our members.



TEAMWORK SERVES MEMBERS AND CLIENTS IN CHALLENGING TIMES

At the end of a challenging 2019/20 financial year, I was pleased to see that we landed on a positive result based on a combination of factors.

S

Several mid-sized claims and indeed some large claims lead to Skuld's first negative technical result in 16 years. On the positive side we have reported no pool claims, but we covered our share of those made by other clubs. Although winding down our Lloyd's syndicate generated some one-off costs, we had a very successful transition of our clients from Lloyd's security to Skuld Hull, on our Skuld corporate paper.

The 2019/20 bottom line is positive thanks to a strong investment result, particularly towards the end of the year. For many years, our strategy has been to not rely on investment returns to cover any technical losses. Our investment strategy is long-term, but in these volatile market conditions the income is of course welcome.

We remain in a robust financial position as reflected by our 2019/20 contingency reserves. The reserves also include recent changes in Norwegian tax regulation. The Norwegian based marine insurance sector is collectively working to remove the uncertainty and to secure a sustainable tax framework for our industry in Norway.

“Our global Skuld team is well prepared for the future. We are strong both operationally and financially.”



Reflecting on the 2020/21 P&I renewal which was firmer than in previous years, and after having witnessed a decade of rate depreciation driven by market competition and a well-capitalised P&I industry, we will do our best to support members by offering competitive rates. However, our technical result continues to show a clear need to bring the premium levels into line with risk.

DIVERSIFICATION

Skuld Hull is off to a very good start, characterised by excellent collaboration between our offices in Oslo and London. The business achieved a technical profit in 2019/20, as did our other commercial activities. We believe the sustained hardening of market rates for hull risk shows that the timing was right for our new approach to underwriting within this class. We have naturally benefited from an overall reduction in global capacity, and the increased rates have offered further support to our diversification strategy.

I am very pleased with the excellent coordination between Skuld Hull and Skuld P&I and the fact that we can now cover a

broad range of marine insurance products that cater precisely for the needs of our members, clients, and brokers. Our hull claims lead and technical capabilities are also very much in demand and this is a clear hallmark of our desire to provide service in addition to first class security. Our ambition throughout is to ensure that the surplus achieved from our commercial activities will benefit our mutual membership.

WEATHERING THE PANDEMIC

It would be remiss to not mention the effect that the global pandemic caused by the coronavirus is having on our business. Our focus so far has remained on keeping service levels high and assisting members and clients in the best ways possible as well as keeping our staff and their families safe and well.

Obviously, the circumstances call for a great deal more flexibility than the industry has perhaps ever needed before, and we are ready to accommodate our membership to ease their challenges, for instance through increased flexibility with outstanding premium and deductible payments.



The situation has underlined how well the Skuld team works together. By allocating resources across our global office network, we support those with the highest workload to ensure we keep going literally around the clock. We have done away with bureaucracy. Skuld's strong team culture benefits from empowered, highly motivated people ready to act quickly and efficiently to deliver the highest levels of 24/7 service for our members, clients and brokers.

SUSTAINABILITY FOR OCEAN INDUSTRIES

Advancing sustainability to protect ocean industries is one of our strategic initiatives. This year for the first time we will report on our progress towards our selected UN sustainable development goals. These include supporting good health and well-being amongst our membership, seafarers, and Skuld employees. We support the sustainability initiatives of the International Group of P&I clubs and The Nordic Association of Marine Insurers (Cefor) and have also signed international charters including the UN Global Compact and the Global Maritime Forum's Getting to Zero Coalition. Meanwhile we have broadened our business scope to support a sustainable future, for example by entering the insurance market for offshore aquaculture.

We work to integrate climate change measures into Skuld's strategy and decision-making and we make efforts to stop financial crimes, corruption and bribery in all their forms. We also strive to reduce inequalities and with equal distribution of men and women in the organisation we offer equal opportunities with an increasing number of women in managerial and key positions.

CUSTOMER SURVEY

We always listen carefully to feedback from our members, clients, and brokers. Our recent customer survey confirms that Skuld's relationships are strong and personal and that satisfaction levels are high.

The responses show that our organisation is accessible and open, and that Skuld's empowered local representatives and approachable top management are highly appreciated. We also take note of some areas for improvement, as we constantly develop and adjust to our customers' needs.

SKULD'S STRATEGY

Size matters in our industry. Growth is important to Skuld, as scale of business reduces the exposure our members might otherwise have to volatility and costs. To stay relevant for the ocean industries that we serve, we are constantly looking for new products and services that we may offer, and new business segments and geographical areas we may serve.

Our global Skuld team is well prepared for the future. We are strong both operationally and financially. We are ambitious and forward-leaning, and we like to drive developments in our industry. Our vision is sound: to be a world-leading marine insurance provider through innovation, financial strength, and the talents of our people.

Take care and stay safe.

A handwritten signature in black ink, appearing to read 'Ståle Hansen'.

STÅLE HANSEN
President and CEO

SKULD PEOPLE DRIVE EXCELLENCE

P&I clubs' financial year-end date, 20 February, came at a very good time in 2020. We closed the books just before the coronavirus hit, which secured the year's positive investment income.



While the broader P&I sector remains under pressure, Skuld's overall result, combining mutual and commercial business, is satisfactory. Our positive bottom-line for 2019/20 again proves that Skuld is healthy, strong, and in the top league of marine insurance providers.

SHIPPING MARKET

The global pandemic will no doubt impact negatively on the world economy, and therefore on the shipping market. Offshore has been severely affected so far, and the cruise trade has seen an unprecedented closedown. Dry bulk and container have been affected by low volumes and heavy losses. For a period, rates for the tanker market went through the roof followed by new fluctuations, and we can only foresee that the volatility will continue. For all segments it may be difficult right now to see a light at the end of the tunnel, but we remain optimistic at hearts.

SERVICE, HOME AND AWAY

The COVID-19 crisis has created disastrous problems for many Skuld members and clients. Some, for example, have suffered infection among their ships' crews or passengers. Skuld has



“The culture among Skuld people is a stronger force than ever.”

delivered expert assistance 24/7 during this trying time, and I hear from members that they have been very happy with the support they have received from their club.

Personnel from all Skuld’s world-wide offices have been working from home lately. I feared at first that this would hurt our renowned, outstanding service to members and clients. I am glad to have been proved wrong and impressed by how well organised and efficient the shift has been. The culture among Skuld people is a stronger force than ever.

SKULD’S DIGITAL JOURNEY

The structure of Skuld’s IT platform proved crucial during the crisis. It has reinforced our belief that robust and secure digital solutions will always be a great asset. Digitisation is a key element of Skuld’s strategic plan. We will constantly refine and develop our IT systems to transparently share data and knowledge with members, clients and brokers.

LOOKING FORWARD

We may experience bumpy roads ahead. The P&I market is still under pressure, as is the broader marine insurance market. We must not stray from our development path to make Skuld the best in its class, financially secure, and competitive both in terms of the products and services we offer and the premium levels we set.

The way in which Skuld Hull now delivers benefits to the wider Skuld organisation and draws on Skuld’s experience and international reach is a fine example of the new synergies and possibilities for growth we seek within existing and new market segments. Today Skuld stands strong alone, but the world is changing. We must always think ahead and be open and prepared for new ways of structuring our business.

Marine insurance needs further consolidation and Skuld intends to be part of the process. Growth is essential. Skuld requires a bigger platform to meet changing customer demands, and to fend off increasing competition.

I extend my sincere appreciation to the Executive Management team and all the people of Skuld. The number one factor in our club’s continued success is the quality of the staff, and the way they bring their services and competencies to members and clients. It is vitally important for Skuld to recruit and retain top, dedicated talent. In this we are already at the top of the league.

KLAUS KJÆRULFF
Chairman of the Board

KEY FIGURES 2019/20

Skuld delivers a positive financial result of USD 25 million, with a strong investment performance. The contingency reserve now stands at a record high USD 466 million.

The technical result amounts to negative USD 35 million and combined ratio ended at 109 %. The main drivers behind the negative technical result are several large own claims within the club retention, prior-year deterioration and negative result from Skuld's run-off portfolio at Lloyd's. However, Skuld's commercial lines of business, written on corporate paper, continue to deliver positive results.

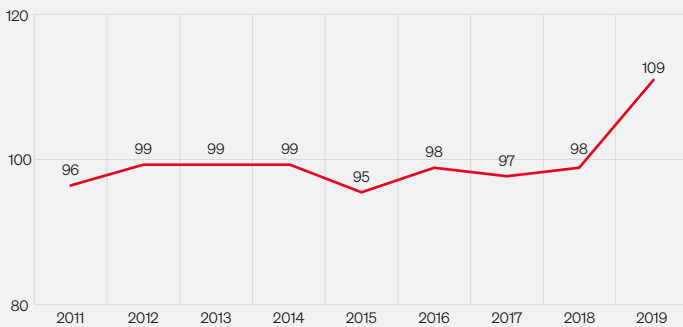
Net investment income amounts to USD 55 million and investment return ended at 5.5 %. The strong investment result was mainly driven by buoyant equity markets and declining bond yields. Skuld's long-term conservative investment strategy, with a majority in low-risk bonds, remains unchanged and has been a strategic choice over time to ensure sufficient capital for sustainable growth.

Taxes contribute positively with USD 5 million to the financial result. Skuld's tax liabilities are in NOK and the strengthened USD has therefore reduced the liability and resulted in a net tax income. Deferred cessation tax is presented as a part of the contingency reserve and can be used to offset incurred claims.

The positive result contributes to a strong capital adequacy for Skuld well above the capital requirements set by the Solvency II regulators.

COMBINED RATIO

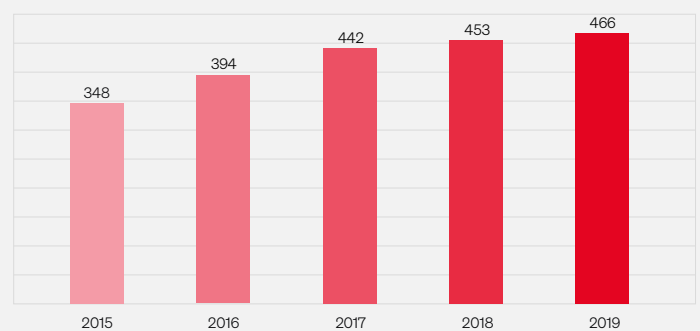
In percent



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.

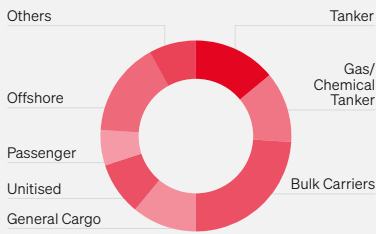


TRANSPARENCY POLICY

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*

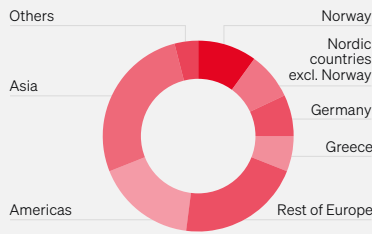
By vessel type



* Total gross premium all products: USD 391 million

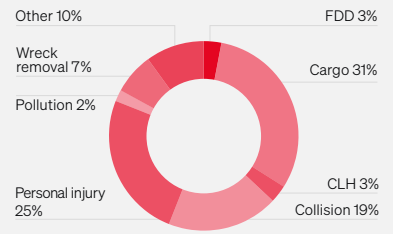
PREMIUM DISTRIBUTION

By region



DISTRIBUTION OF CLAIMS COSTS

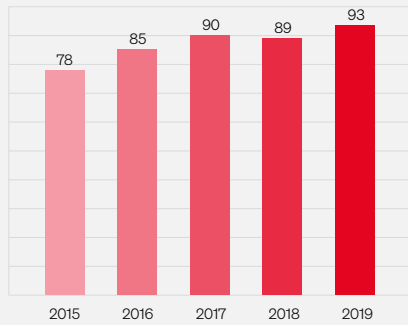
In percent



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

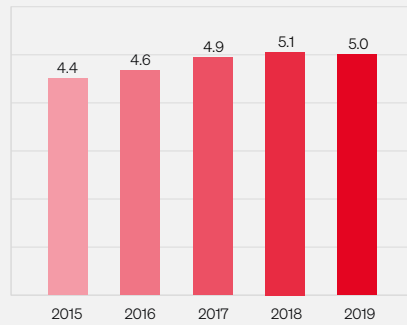
P&I OWNERS' GT

Mill. GT



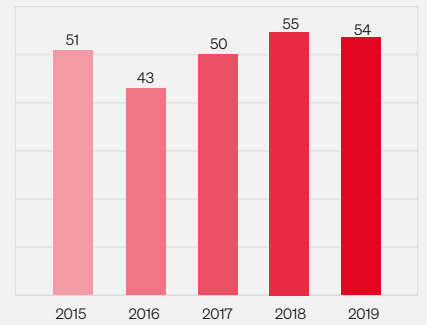
CONTINGENCY RESERVE PER GT

USD



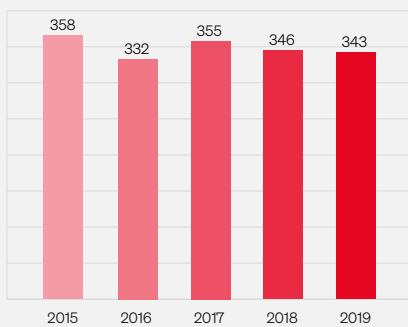
CHARTERERS' LIABILITY GROSS PREMIUM

USD mill.



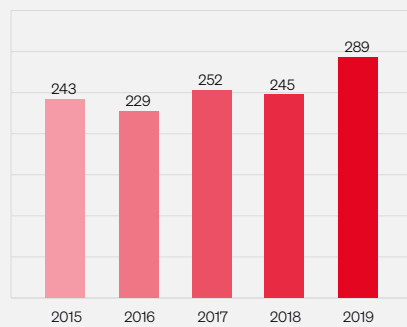
NET PREMIUMS AND CALLS FOR OWN ACCOUNT

USD mill.



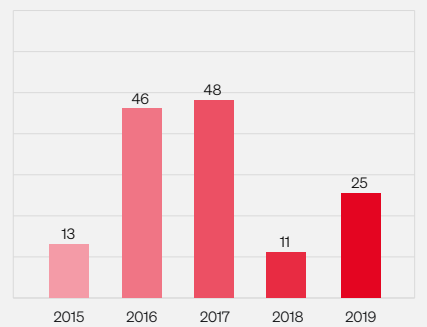
NET CLAIMS INCURRED FOR OWN ACCOUNT

USD mill.



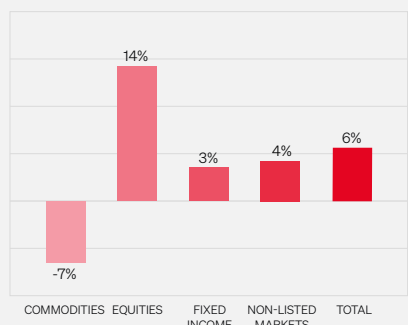
BALANCE CARRIED TO MEMBERS' FUNDS

USD mill.



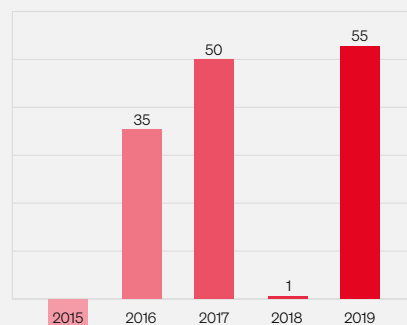
INVESTMENT PERFORMANCE

In percent



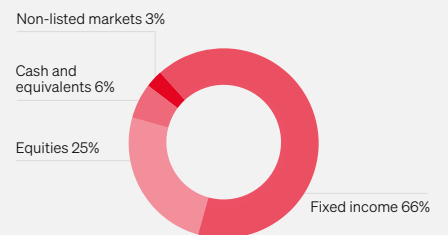
NET INVESTMENT INCOME

USD mill.



INVESTMENTS BY ASSET CLASS

In percent



CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT AS AT 20 FEBRUARY 2020

MUSD	2019/20	2018/19	2017/18	2016/17	Restated 2015/16
TECHNICAL ACCOUNT					
Premiums and calls	390.8	401.6	412.7	389.7	414.8
Reinsurance premiums	-47.4	-56.1	-57.4	-58.1	-56.7
Premiums for own account	343.4	345.6	355.4	331.6	358.2
Claims incurred for own account	-288.8	-244.6	-251.6	-229.1	-243.3
Acquisition costs	-70.5	-74.5	-78.6	-69.9	-70.1
Administrative expenses	-19.3	-18.5	-19.6	-18.6	-17.9
Discontinuation defined benefit scheme	0.0	0.0	6.0	0.0	0.0
Net operating expenses	-89.8	-92.9	-92.2	-88.5	-88.0
Balance carried to non-technical account	-35.2	8.0	11.6	13.9	26.9
NON TECHNICAL ACCOUNT					
Balance from technical account	-35.2	8.0	11.6	13.9	26.9
Net investment income	55.1	0.9	50.1	35.5	-9.4
Taxes	5.0	-0.5	-0.2	-1.7	-1.2
Other result components	0.6	2.2	-3.9	2.9	1.5
Distribution to members	0.0	0.0	-9.6	-4.7	-4.9
Balance carried to members' funds	25.5	10.7	48.0	45.8	13.0

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

BALANCE SHEET AS AT 20 FEBRUARY 2020

MUSD	2019/20	2018/19	2017/18	2016/17	Restated 2015/16
ASSETS					
Financial investments	817.5	845.1	850.7	694.0	697.5
Debtors	11.7	6.4	26.2	2.2	5.1
Other assets	216.6	158.9	146.4	265.1	186.0
Prepayment and accrued income	21.2	18.4	46.9	39.2	30.0
Total assets	1 067.1	1 028.8	1 070.1	1 000.5	918.6
LIABILITIES					
Provision for outstanding claims for own account	546.9	529.0	527.7	507.2	511.5
Contingency reserve	465.8	452.7	442.0	394.1	348.2
Members' funds	363.8	452.7	442.0	394.1	348.2
Deferred cessation tax	102.1	0.0	0.0	0.0	0.0
Minority interest	-3.4	-3.4	-3.4	-2.6	-0.8
Technical provisions for own account	1 009.4	978.3	966.4	898.7	858.9
Provisions for other liabilities	11.7	8.2	8.2	16.6	15.5
Creditors	27.1	33.0	58.7	46.4	17.8
Accruals and deferred income	19.0	9.4	36.8	38.7	26.3
Total liabilities	1 067.1	1 028.8	1 070.1	1 000.5	918.6

SERVICE AND TEAMWORK

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.



CASUALTY AND MAJOR CLAIMS

HANDS-ON CASUALTY RESPONSE

24/7/365

Legal, technical and operational support.

Worldwide collaborative network.

REPORTED CASES

44

Salvage, wreck removal, pollution, large-scale property damage etc.

Including:
2 wreck removals
3 SCOPIC cases
8 severe casualties

CLAIMS

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

P&I CLAIMS CASES OPENED

9 243

LAWYERS AND CLAIMS EXECUTIVES

115

LEGAL JURISDICTIONS

27

LOSS PREVENTION

CONDITION SURVEYS

186

Sharing knowledge, preventing loss, protecting members and clients.

SEMINARS AND WORKSHOPS

155

WEB ARTICLES

51

UNDER-WRITING

SYNERGIES – ONE TEAM

SKULD P&I



SKULD HULL

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

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

MUTUAL TONNAGE GROWTH

7.2%

Quality selection of members and vessels.

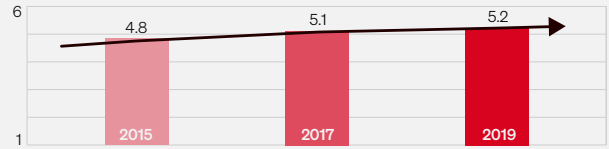
CULTURE AND EMPLOYEE ENGAGEMENT

Skuld has a strong company culture built on values that guide the way we serve our customers and how we treat our colleagues. Teamwork, transparent communication and empowerment help employees develop both personally and professionally.

To strengthen our culture, we complete leadership or employee engagement surveys every year.

LEADERSHIP SURVEY

Total score (UFI)
Employee feedback on a scale 1-6

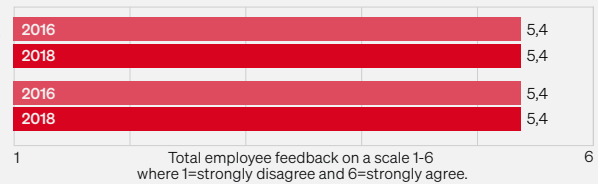


Upward Feedback Index (UFI) is calculated as the average employee response to all questions in the survey. UFIs since 2015 show an upward trend.

HIGH LOYALTY AMONG SKULD EMPLOYEES

I am proud to tell others that I work at Skuld

I would recommend others to work at Skuld



HIGH CUSTOMER SATISFACTION

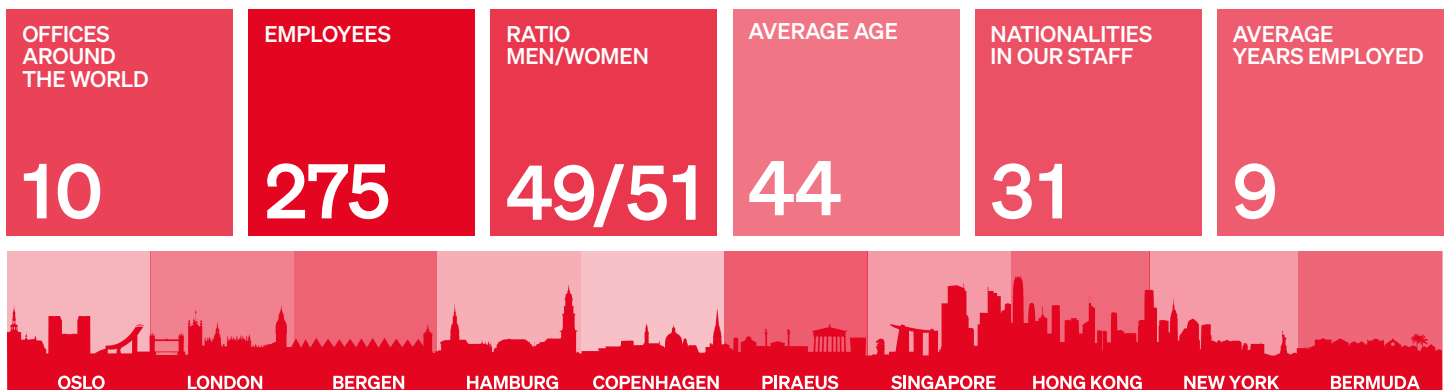
To measure expectations and our global performance we regularly do customer surveys through independent market researchers. Our March 2020 survey involved in-depth interviews with key members and brokers who pointed to the following elements as reasons for their satisfaction with Skuld:

- Personal and long-term relationships that create high levels of trust
- The Skuld culture with customer focus, flexibility and high levels of service and competence
- Local empowerment of key contacts combined with easy access to top management

“They work to fix the immediate problems; they don’t start by checking the cover”
Member

“The people that I am dealing with are excellent and I’ve known them for many years”
Broker

GLOBAL NETWORK – ONE TEAM



SUSTAINABILITY – WE ARE COMMITTED

Skuld's sustainability platform supports our purpose statement 'Protecting ocean industries' and our firm commitment to future sustainable global ocean industries.

Sustainability is one of Skuld's strategic initiatives and our sustainability platform ensures we deliver achievements on our five selected UN sustainable development goals.

Skuld has committed to make the UN Global Compact (UNGC) and its ten principles on human rights, labour, environment, and anticorruption part of our strategy, culture, and day-to-day operations. The UNGC is an important framework in our sustainability work, and we will report annually using the Global Reporting Initiative (GRI) system for measurement and reporting.

Skuld cooperates with key stakeholders through sustainability working groups at the International Group of P&I Clubs and The Nordic Association of Marine Insurers (Cefor). Skuld has also signed the 'Getting to Zero 2030 Coalition', which by 2030, is committed to launch commercially viable deep sea zero emission vessels powered by zero emission fuels.

We have established a Skuld sustainability working group with representatives from Skuld's core business process areas to execute on internal and external sustainability projects and initiatives. We perform continuous internal assessments of Environmental, Social and Governance risks (ESG), as part of our risk management operations.

Skuld complies with all mandatory ESG risk assessments and reporting requirements set out by national and international financial and maritime authorities, ensuring full transparency in all reporting.



SKULD SUSTAINABILITY PLATFORM

1
SELECTED UN
SUSTAINABLE
DEVELOPMENT
GOALS

2
SELECTED
REPORTING
COMMITMENTS

3
STAKEHOLDER
COOPERATION

4
SKULD
SUSTAINABILITY
PROJECTS AND
INITIATIVES

5
CONTINUOUS
ESG RISK
ASSESSMENT

6
GLOBAL ESG
REGULATIONS
AND
REQUIREMENTS

SELECTED ACHIEVEMENTS 2019/20

Below achievements all support one or more of our selected UN sustainable development goals.

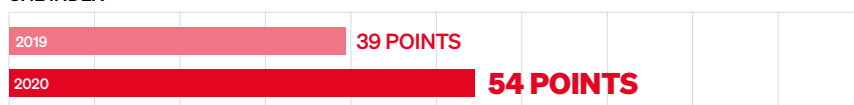
- Skuld has **zero tolerance** for corruption, facilitation payments, anti-money laundering and bribery. We have conducted training for all employees and no breaches were registered in 2019/20.
- Skuld has incorporated environmental, social and governance (ESG) risks into its investment beliefs and integrated **sustainable investments** into the investment strategy.
- Skuld has an increased focus on **renewable ocean industries** and has entered the offshore aquaculture market, offering protection and indemnity and hull and machinery insurance.
- Skuld has played an active role **advising members and clients** on sustainability initiatives such as the 2020 Sulphur Cap and crew health and well-being.
- Skuld has established **Skuld Impact Day**, a day where all employees spend one day, supporting local communities and charity work, also raising internal awareness of Skuld's commitment to the UN SDGs.
- Skuld has entered a three-year partnership with the **Windjammer** programme, initiated by the Christian Radich Foundation, an important initiative supporting young people out of passivity and into getting a new start in life.



GENDER EQUALITY IN SKULD

Skuld is committed to gender equality and we have an overall goal of **40 % women** in managerial and key positions. To commit to and measure our progress, we have signed the UN's Women Empowerment Principles, and we are reporting to the SHE Index where we achieved 54 points in 2020, up from 39 points in 2019.

SHE INDEX



LEADERS (per 31.12.2019)	%FEMALE
% female at Norwegian Board level	43%
% female at global Board level	18%
% female leaders at level 1-3	26%
% female leaders at level 2	29%
% female leaders at level 3	26%

SALARY 2019 – Employees globally	WOMEN'S SALARY AS % OF MEN'S
Assistants	154%
Executives	100%
Senior Executives	91%
AVP/VP	97%
SVP	95%
CXO (excluding CEO)	87%

GOVERNANCE

HIGH GOVERNING STANDARDS

Skuld's Statutes set out the structure and roles of our governing bodies and more detailed instructions cover the responsibilities of the Board, its Chairman and the President and CEO. The purpose is independence and control in governing Skuld, while ensuring equal terms for equal members.

THE GENERAL MEETING

The General Meeting is Skuld's highest authority and all members have a right to attend. This year's Annual General Meeting (AGM) takes place in Oslo on 3 September 2020.

THE COMMITTEE

The Committee is composed of member representatives and supervises Skuld's business and elects the Board.

THE BOARD OF DIRECTORS

The Board of Directors, elected mainly among Skuld members, is responsible for administering the daily business of Skuld, and deals with Skuld's strategy, budget and premiums, International Group of P&I Clubs (IG) issues, reinsurance contracts and more.

The President and CEO is responsible for the day-to-day management of the association and communicates with the Board on matters of importance to Skuld. The President and CEO shall ensure Skuld's compliance with all applicable legislation.

Skuld aims at having open and transparent communication with members, employees and other stakeholders.



CODE OF CONDUCT

Code of Conduct describes our ethical commitments and requirements. It sets expectations for personal conduct and business practise. Areas covered include conflict of interest, fraud prevention, human rights and employment conditions.

Together with other global policies, guidelines and legal requirements, Code of Conduct applies to all leaders, employees and others who perform services on behalf of Skuld.



ANNUAL
REVIEW
2019-20

ACCOUNTS
21.02.2019-20.02.2020

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

All figures in USD 1,000	Note	2019/20	2018/19
TECHNICAL ACCOUNT			
Premiums and calls			
Gross premiums and calls	2, 12, 13	390 760	401 621
- Reinsurance premium	12, 13	-47 361	-56 070
Earned premiums and calls for own account		343 399	345 551
Claims incurred			
Gross claims paid	3, 12, 13	274 153	300 443
- Reinsurance recoveries	3, 12, 13	-12 890	-62 357
Gross change in estimated outstanding claims	3, 12, 13	-53 519	-39 133
- Reinsurers share	3, 12, 13	81 098	45 623
Claims incurred for own account		288 842	244 577
Operating expenses			
Acquisition costs	4	70 464	74 478
Administrative expenses	4	19 311	18 460
Net operating expenses		89 775	92 937
Balance carried to non-technical account		-35 219	8 037
NON-TECHNICAL ACCOUNT			
Balance from technical account		-35 219	8 037
Investment income			
Investment income		9 709	4 581
Unrealised gains / losses on investments		41 290	-10 680
Realised gains / losses on investments		-523	7 915
Total investment income / expenses		50 476	1 816
Investment management expenses			
Investment management expenses		1 589	1 464
Foreign exchange adjustments			
Foreign exchange adjustments		6 179	557
Balance before tax on ordinary activities		19 847	8 945
Taxes			
Taxes		-5 045	458
Other income and expenses			
Other income and expenses		600	2 210
Profit and loss		25 492	10 697
Distribution to members		0	0
Balance carried to members' funds		25 492	10 697

BALANCE SHEET

All figures in USD 1,000	Note	20.02.2020	20.02.2019
ASSETS			
Intangible assets			
Goodwill	5	0	872
Intangible assets	5	0	1 916
Total intangible assets		0	2 788
Financial assets			
Strategic investments		8 130	8 304
Shares	6	199 470	171 710
Bonds	6	585 727	638 881
Other investments	6	24 200	25 941
Other assets		4	300
Total financial assets		817 532	845 136
Debtors			
Members and brokers		6 365	2 976
Other debtors		5 374	3 388
Total debtors		11 739	6 364
Other assets			
Fixed assets	5	6 995	8 076
Cash at bank		209 652	148 071
Total other assets		216 648	156 148
Prepayments and accrued income			
Prepayments and accrued income		21 212	18 366
Total assets		1 067 131	1 028 801
LIABILITIES			
Technical provisions			
Gross provision for outstanding claims	9	801 897	875 663
Reinsurer's share	9	-254 984	-346 692
Provisions for outstanding claims for own account	8	546 913	528 971
Contingency reserve		465 845	452 723
- Members' funds	7	363 751	338 259
- Deferred cessation tax	1,7	102 094	114 465
Minority interest		-3 396	-3 396
Technical provisions for own account	8,9	1 009 362	978 298
Provisions for other liabilities			
Pension liabilities		7 426	8 153
Tax payable		4 268	0
Total provisions for other liabilities		11 694	8 153
Creditors			
Members and brokers		12 464	17 232
Reinsurers		1 599	1 450
Other creditors		13 030	14 291
Total creditors		27 092	32 973
Accruals and deferred income			
Accruals and deferred income		18 982	9 377
Total liabilities		1 067 131	1 028 801

Oslo, 7 May 2020

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. Tavlaris 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. Daria Avdeeva Employees representative	sign. Claus Spinding Employees representative	sign. Ståle Hansen President & CEO	

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 Prosjekt 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.

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 2020, but until these are approved the tax regulations for other non-life insurers will also apply for the mutual marine associations. In the transition to the new regulations, 75% of contingency reserve was reclassified to members' funds, while the remaining balance of 25% was recognised as deferred cessation tax and will be payable over a 10-year period. Under the current tax regulations, Skuld can offset incurred claims against the provision for deferred cessation tax.

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	39 705	10.2%
Nordic countries excl. Norway	25 941	6.6%
Germany	28 229	7.2%
Greece	22 143	5.7%
Rest of Europe	84 784	21.7%
Far East	88 013	22.5%
USA	36 241	9.3%
Other	65 704	16.8%
Total gross premiums and calls	390 760	100.0%

NOTE 3

NET CLAIMS INCURRED

All figures in USD 1,000

	2019/20	2018/19
Gross claims paid		
Own claims	250 621	278 962
Group Pooling arrangements	23 532	21 482
Gross claims paid	274 153	300 443
Reinsurance recoveries		
Group Pooling arrangements	-10 834	-53 945
Market underwriters	-2 056	-8 412
Reinsurance recoveries	-12 890	-62 357
Net claims paid	261 264	238 086
Change in provision for gross claims		
Provision opening balance	875 663	925 721
Provision closing balance	801 897	875 663
Change in currency valuation at year end	20 247	10 925
Gross change in estimated outstanding claims	-53 519	-39 133
Less movements in provision for reinsurers' share		
Provision opening balance	-346 692	-397 980
Provision closing balance	-254 984	-346 692
Change in currency valuation at year end	-10 610	-5 665
Reinsurers' share	81 098	45 623
Change in provision for future claims		
Net change in claims provision	27 579	6 490
Claims incurred for own account	288 842	244 577

NOTE 4

NET OPERATING EXPENSES

All figures in USD 1,000

	GROUP		ASSOCIATION	
	2019/20	2018/19	2019/20	2018/19
Administrative expenses	19 311	18 460	10 233	9 018
Commissions	40 058	45 148	26 542	25 059
Allocated underwriting expenses	23 116	21 385	22 943	21 427
Marketing	3 757	4 165	2 063	2 261
Surveys	746	809	739	803
Depreciation intangible asset	2 788	2 971	1 916	2 200
Acquisition costs	70 464	74 478	54 203	51 750
Net operating expenses	89 775	92 937	64 436	60 768

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 ("AER") for the Association's P&I business. The AER is calculated as operating expenses divided by premium and investment income. 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 2020, a ratio of 13% (12.8% at 20 February 2019) 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 2019	17 461	6 600	2 701
Purchases in the year	1 174	0	0
Sales / Scrapping in the year	257	0	0
As at 20 February 2020	18 378	6 600	2 701
Depreciation			
As at 20 February 2019	9 286	4 684	1 829
Depreciation on sold / scrapped assets	0	0	0
Depreciation this year	2 097	1 916	872
As at 20 February 2020	11 383	6 600	2 701
Net book value			
As at 20 February 2019	8 076	1 916	872
As at 20 February 2020	6 995	0	0

NOTE 6

FINANCIAL INVESTMENTS

All figures in USD 1,000

	20.02.20 Market value	20.02.2019 Market value
Shares		
Listed shares and funds	199 470	171 710
Total shares	199 470	171 710
Bonds		
Treasuries	495 515	577 011
Corporate Securities	63 273	44 034
Cash and Money Market	12 162	5 705
Other	14 778	12 131
Total bonds	585 727	638 881
Other investments		
Commodity	0	9 135
Hedge Funds	5 410	5 120
Infrastructure	10 400	0
Private Equity	8 390	11 685
Total other investments	24 200	25 941

NOTE 7

CONTINGENCY RESERVE

All figures in USD 1,000

	2019/20	2018/19
Members' funds opening balance	338 259	327 561
Balance carried forward to members' funds	25 492	10 697
Members' funds closing balance	363 751	338 259
Deferred cessation tax	102 094	114 465
Contingency reserve closing balance	465 845	452 723

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 from financial year 2018. Ministry of Finance are working on separate tax regulations for mutual associations with ambition to have these approved in 2020. Until then, the tax regulations for other non-life insurers will also apply for the mutual marine associations. Incurred claims can be offset against deferred cessation tax, hence presented as part of the contingency reserve. The proposed tax regulations have no impact on Skuld's solvency capital position.

NOTE 8

PROVISIONS FOR OUTSTANDING CLAIMS BY POLICY YEAR

All figures in USD 1,000

	2019	2018	2017	Closed years	Total
Gross estimated outstanding including IBNR	82 543	134 693	284 989	273 597	775 822
The Association's estimated share of other associations' pool-claims including IBNR	10 524	9 830	2 868	2 852	26 074
Gross provision for outstanding claims	93 067	144 523	287 857	276 449	801 897
Estimated outstanding recoveries including IBNR from:					
Pooling agreements	0	14 014	17 169	9 317	40 499
Group excess loss	0	0	106 454	3 864	110 318
Other reinsurers' share	-29 889	-900	70 880	64 076	104 166
Total estimated outstanding recoveries	-29 889	13 114	194 502	77 257	254 984
Provisions for outstanding claims for own account	122 957	131 410	93 355	199 192	546 913
Members' funds	44 393	-34 439	-18 621	372 418	363 751
Deferred cessation tax	0	0	0	102 094	102 094
Minority interest	0	-836	-1 738	-822	-3 396
Technical provisions for own account	167 350	96 134	72 995	672 882	1 009 362

NOTE 9

TECHNICAL PROVISIONS FOR OWN ACCOUNT

All figures in USD 1,000	20.02.20	20.02.19
P&I		
Gross estimated outstanding including IBNR	611 993	656 006
The Association's estimated share of other Associations' pool-claims including IBNR	26 074	28 016
Gross provision for outstanding claims	638 067	684 022
Estimated outstanding recoveries from:		
Pooling agreements	-40 499	-65 309
Other reinsurers' share	-190 669	-222 058
Total estimated outstanding recoveries	-231 169	-287 367
Provision for outstanding claims for own account P&I	406 898	396 655
Lloyd's Syndicate		
Gross estimated outstanding including IBNR	113 889	156 537
Gross provision for outstanding claims	113 889	156 537
Estimated outstanding recoveries from:		
Other reinsurers' share	-23 294	-58 796
Total estimated outstanding recoveries	-23 294	-58 796
Provision for outstanding claims for own account Lloyd's Syndicate	90 595	97 741
Other		
Gross estimated outstanding including IBNR	49 941	35 104
Gross provision for outstanding claims	49 941	35 104
Estimated outstanding recoveries from:		
Other reinsurers' share	-521	-529
Total estimated outstanding recoveries	-521	-529
Provision for outstanding claims for own account Other	49 420	34 575
Total P&I, Lloyd's Syndicate and Other		
Provision for outstanding claims for own account	546 913	528 971
Members' funds	363 751	338 259
Deferred cessation tax	102 094	114 465
Minority interest	-3 396	-3 396
Technical provision for own account	1 009 362	978 298

NOTE 10

OFF-BALANCE SHEET ITEMS

GUARANTEES

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 932.2 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.

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.

COVID-19

Skuld's financial year 2019 ended 20 February 2020. Financial markets reached all-time high on 19 February 2020. After that, measures to contain the spread of COVID-19 have been rolled out by authorities across the world, severely affecting financial markets and the economy. Skuld has observed considerable volatility in its investments after year-end 2019. Skuld expects negative claims development and reduced premium income as a consequence of lay-ups and even bankruptcy of members and clients throughout financial year 2020 to result in a negative technical result as per 20 February 2021.

It is impossible to say with any kind of certainty how the combined effect of market, claims and premium development will ultimately affect Skuld's results for 2020. Skuld is however well capitalised, and updated forecast scenarios prepared in connection with Skuld's Own Risk and Solvency Assessment for 2020, taking into account the current situation, show that Skuld will comfortably meet regulatory solvency requirements for both the Association and Skuld Group, also in a scenario where COVID-19 continues to spread, being a factor keeping business closed until end of 2021, and where world economy recovers only at a low pace and full recovery is not achieved before the end of the forecast period in 2024.

NOTE 12

POLICY YEAR STATEMENT BY CLASS AS AT 20.02.20

All figures in USD 1,000	2019	2018	2017
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2018	0	0	260 579
years to 20 February 2019	0	254 607	20 978
current accounting year	249 880	18 594	321
	<u>249 880</u>	<u>273 201</u>	<u>281 878</u>
Supplementary calls levied in:			
years to 20 February 2019	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	249 880	273 201	281 878
Reinsurance premiums	-37 435	-46 086	-46 905
	<u>212 445</u>	<u>227 115</u>	<u>234 973</u>
Claims incurred net of reinsurance recoveries	-169 791	-192 038	-214 124
Net underwriting profit	<u>42 654</u>	<u>35 076</u>	<u>20 848</u>
Net operating expenses	-56 537	-57 855	-56 707
Net investment income	43 494	11 037	39 451
Taxes	4 738	-332	-89
	<u>4 738</u>	<u>-332</u>	<u>-89</u>
Total P&I	34 350	-12 073	3 504

	2019	2018	2017
Lloyd's Syndicate			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2018	0	0	68 307
years to 20 February 2019	0	29 390	47 073
current accounting year	26 809	23 770	6 146
	<u>26 809</u>	<u>53 160</u>	<u>121 527</u>
Total calls and premiums	26 809	53 160	121 527
Reinsurance premiums	-2 274	-3 627	-43 719
Claims incurred net of reinsurance recoveries	-28 158	-47 470	-69 692
Net underwriting profit	<u>-3 624</u>	<u>2 063</u>	<u>8 115</u>
Net operating expenses	-10 176	-16 754	-31 376
Net investment income	12 637	-5 482	3 490
Taxes	0	0	0
Total Lloyd's Syndicate	-1 163	-20 173	-19 771

	2019	2018	2017
Other			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2018	0	0	32 851
years to 20 February 2019	0	31 438	17 096
current accounting year	52 082	16 791	684
	<u>52 082</u>	<u>48 229</u>	<u>50 631</u>
Supplementary calls levied in:			
years to 20 February 2019	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	52 082	48 229	50 631
Reinsurance premiums	-1 878	-3 086	-1 315
	<u>50 204</u>	<u>45 143</u>	<u>49 316</u>
Claims incurred net of reinsurance recoveries	-26 664	-33 778	-40 301
Net underwriting profit	<u>23 540</u>	<u>11 365</u>	<u>9 015</u>
Net operating expenses	-12 191	-11 027	-11 201
Net investment income	-448	-2 456	-91
Taxes	307	-76	-77
Total Other	11 207	-2 194	-2 354
Total P&I, Lloyd's Syndicate and Other	44 393	-34 439	-18 621

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 2019 will be earned in 2020. 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.

POLICY YEAR STATEMENT AS AT 20.02.20 - MUTUAL AND FIXED BUSINESS

All figures in USD 1,000

	2019	2018	2017
Mutual			
Total calls and premiums	180 404	183 386	197 877
Reinsurance premiums	-23 750	-24 575	-24 223
	156 654	158 811	173 654
Claims incurred net of reinsurance recoveries	-144 693	-152 779	-177 808
Net underwriting profit	11 961	6 032	-4 154
Net operating expenses	-41 300	-39 694	-40 840
Net investment income	31 163	10 062	25 815
Taxes	3 161	-223	-60
Total Mutual	4 985	-23 824	-19 239
Lloyd's Syndicate			
Total calls and premiums	26 809	53 160	121 527
Reinsurance premiums	-2 274	-3 627	-43 719
	24 534	49 533	77 808
Claims incurred net of reinsurance recoveries	-28 158	-47 470	-69 692
Net underwriting profit	-3 624	2 063	8 115
Net operating expenses	-10 176	-16 754	-31 376
Net investment income	12 637	-5 482	3 490
Taxes	0	0	0
Total Lloyd's Syndicate	-1 163	-20 173	-19 771
Fixed			
Total calls and premiums	121 558	138 044	134 632
Reinsurance premiums	-15 563	-24 597	-23 997
	105 996	113 447	110 635
Claims incurred net of reinsurance recoveries	-51 762	-73 037	-76 617
Net underwriting profit	54 233	40 410	34 018
Net operating expenses	-27 429	-29 187	-27 069
Net investment income	11 883	-1 481	13 545
Taxes	1 883	-185	-105
Total Fixed	40 571	9 557	20 388
Total Mutual, Lloyd's Syndicate and Fixed business	44 393	-34 439	-18 621

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 2019 will be earned in 2020. 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