



# Skuld annual review 2021/22

125  
YEARS  
YOUNG

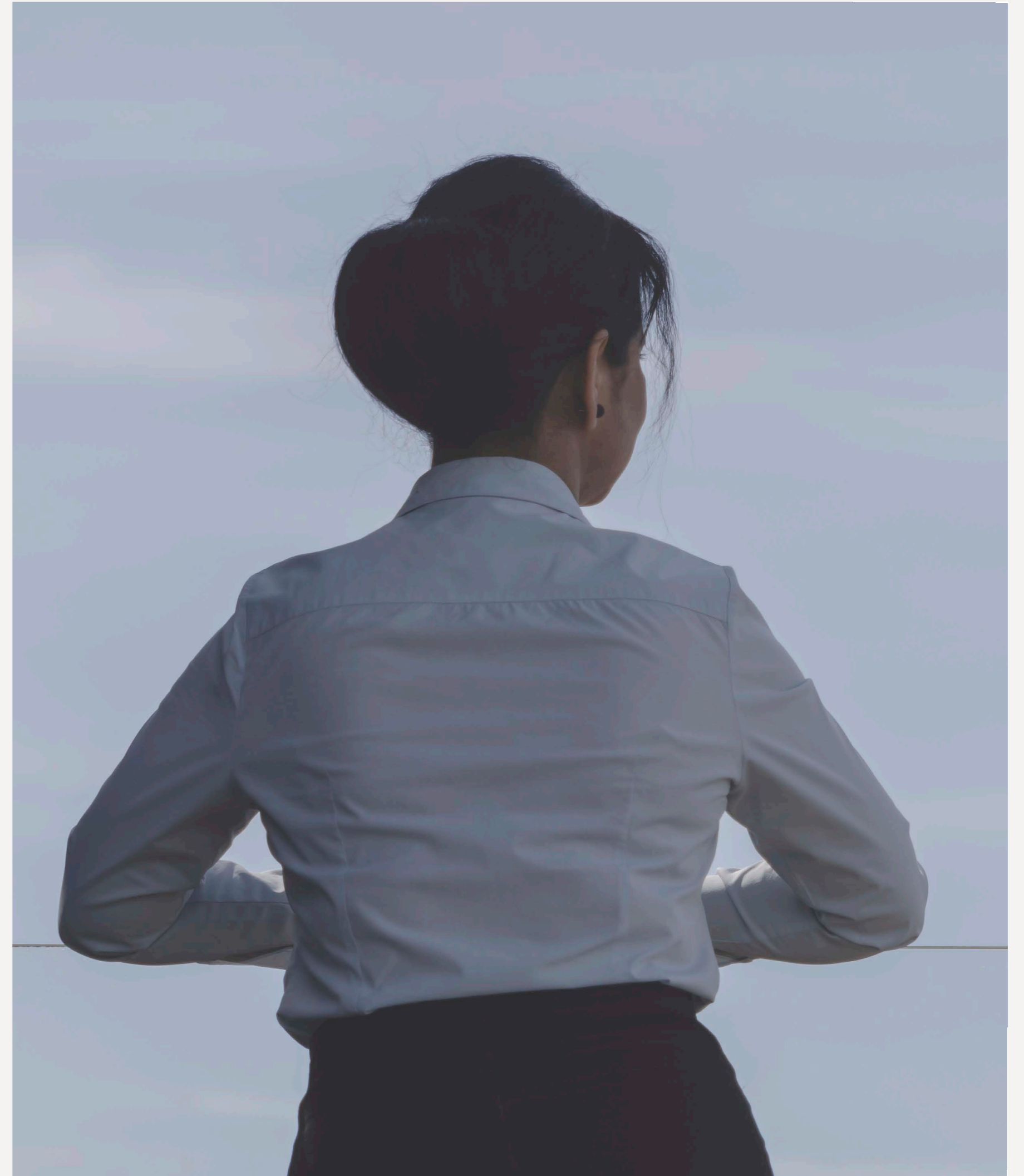


**SKULD**



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01  
Figures at a glance



## Figures at a glance

The following key figures sum up the year 2021/22.

### Contingency Reserve

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**430** Million  
USD

Skuld's contingency reserve stands at USD 430 million, making us robust and well placed for future challenges.

### Bottom line result

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**-15** Million  
USD

Bottom-line result of USD -15 million is down from USD 25 million last year.

### Premium income

---

**420** Million  
USD

Mutual

**202**  
Million USD

Commercial

**218**  
Million USD

Our total premium income of USD 420 million includes both mutual and commercial premium and is up from a total of 391 MUSD last year.

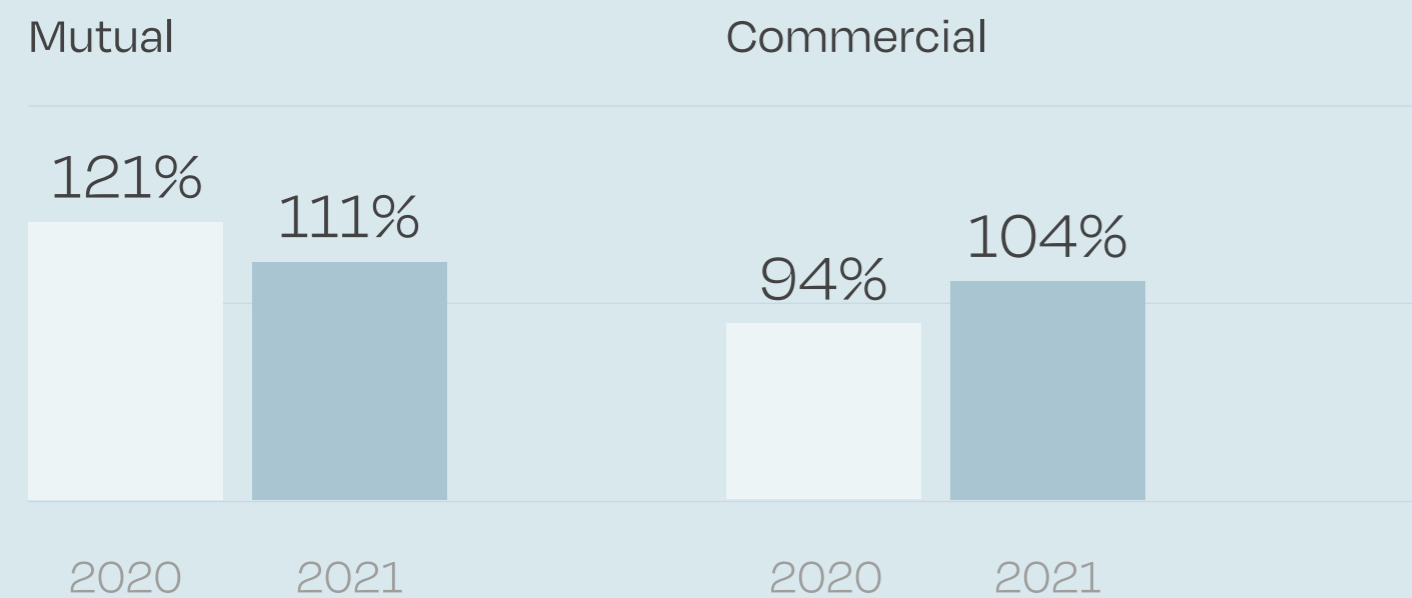


## Figures at a glance

The following key figures sum up the year 2021/22.

### Combined ratio

107%



This year's combined ratio of 107% is an improvement from last year's 108% (mutual 121%, commercial 94%). 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.

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

### Standard & Poor's

A

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

### Investment return

- 0.4%

Market fluctuations led to an investment loss for the year, but our solvency position is robust, which gives us a solid basis for further growth.



<sup>02</sup>  
Skuld 125 years young



125  
YEARS  
YOUNG

To protect the future,  
one must know the past.  
This is our present.

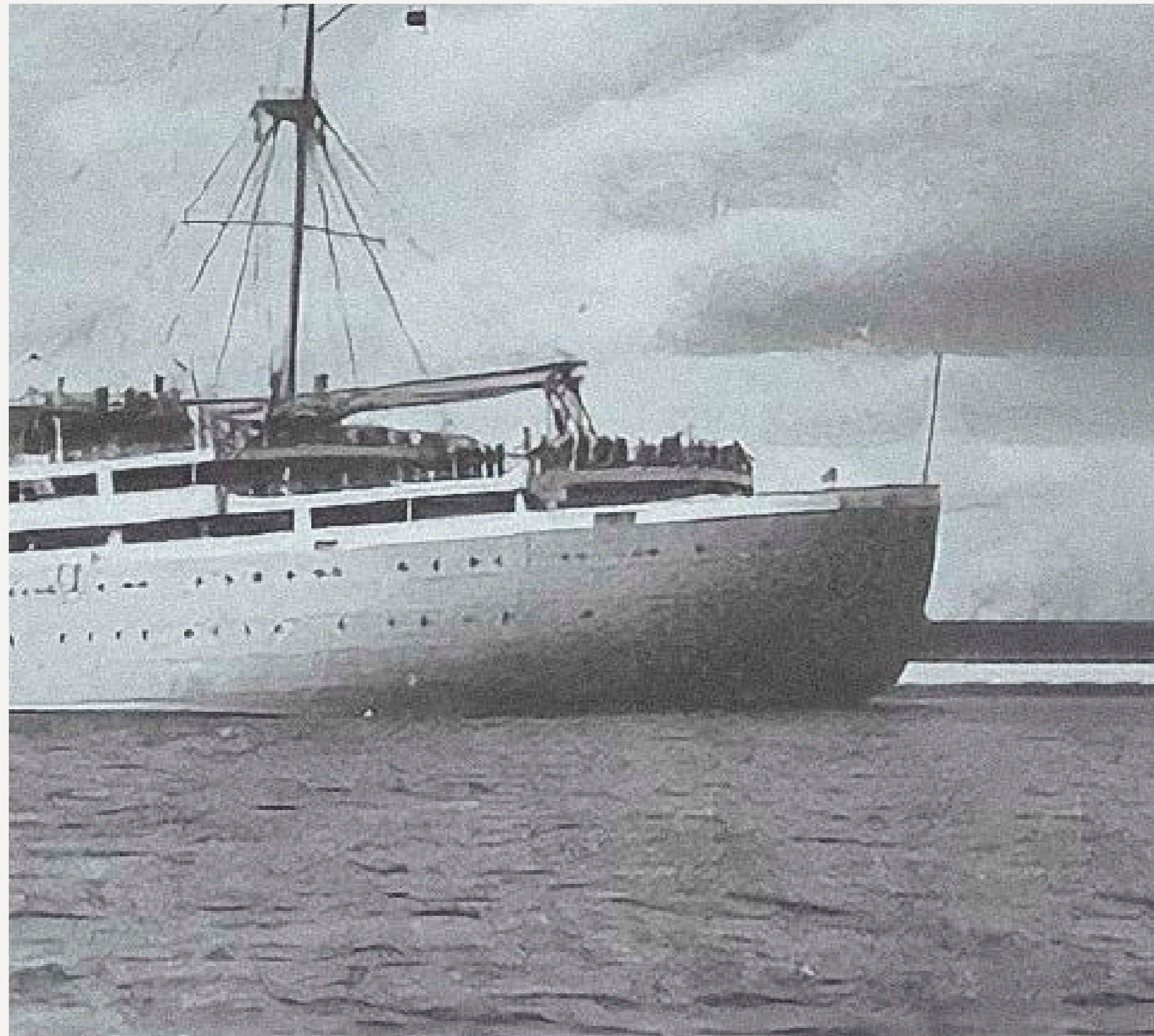
In Norse mythology, 'Skuld' is one of the three Norns (goddesses) who weave the threads of destiny. Urd, Verdande and Skuld bring together past, present and the future.

Skuld is the youngest Norn, and she represents the future. Skuld, the protection and indemnity (P&I) insurer, was established in Oslo on 7 January 1897 to serve Scandinavian shipowners and was the first of its kind outside the UK. Since

then, Skuld has grown into a leading global marine insurance provider protecting people, property and the planet.

In 2022, Skuld celebrates its 125th anniversary. More than a century of protecting ocean industries has made us wiser, humbler, more caring and respectful. We know the past, we have learnt from it, and we are ready for the future.





## Old ocean.

If there's one thing we can learn from the ocean and the past, it is that nothing stands still.

## New wave.

We are continuously moving forward and there is always a new wave.







03  
CEO's report



## Future focused

Behind us lies another extraordinary year, where the Covid-19 pandemic influenced the whole world. The crisis has had many consequences for the insurance sector and the ocean industries. Only four days after closing our financial year on 20 February, a devastating war was launched in Ukraine. At the time of writing, the war continues to cast long shadows of uncertainty over our global community.



As we entered the 2021/22 policy year, marine insurance was weighed down by a general pricing imbalance. Premium levels were insufficient to cover the rising cost of pool and club claims and there was a need to improve underwriting results by increasing rates.

In response, we met the February 2022 renewal targets agreed by Skuld's board, achieved the mutual P&I premium adjustments necessary to restore balance, and increased our market share across all lines of business. Despite that work, the generally hardening market alone is insufficient to maintain balance. We are intent upon bolstering Skuld's robust financial position, so our diligent work to optimise our portfolio and return to positive underwriting results continues.

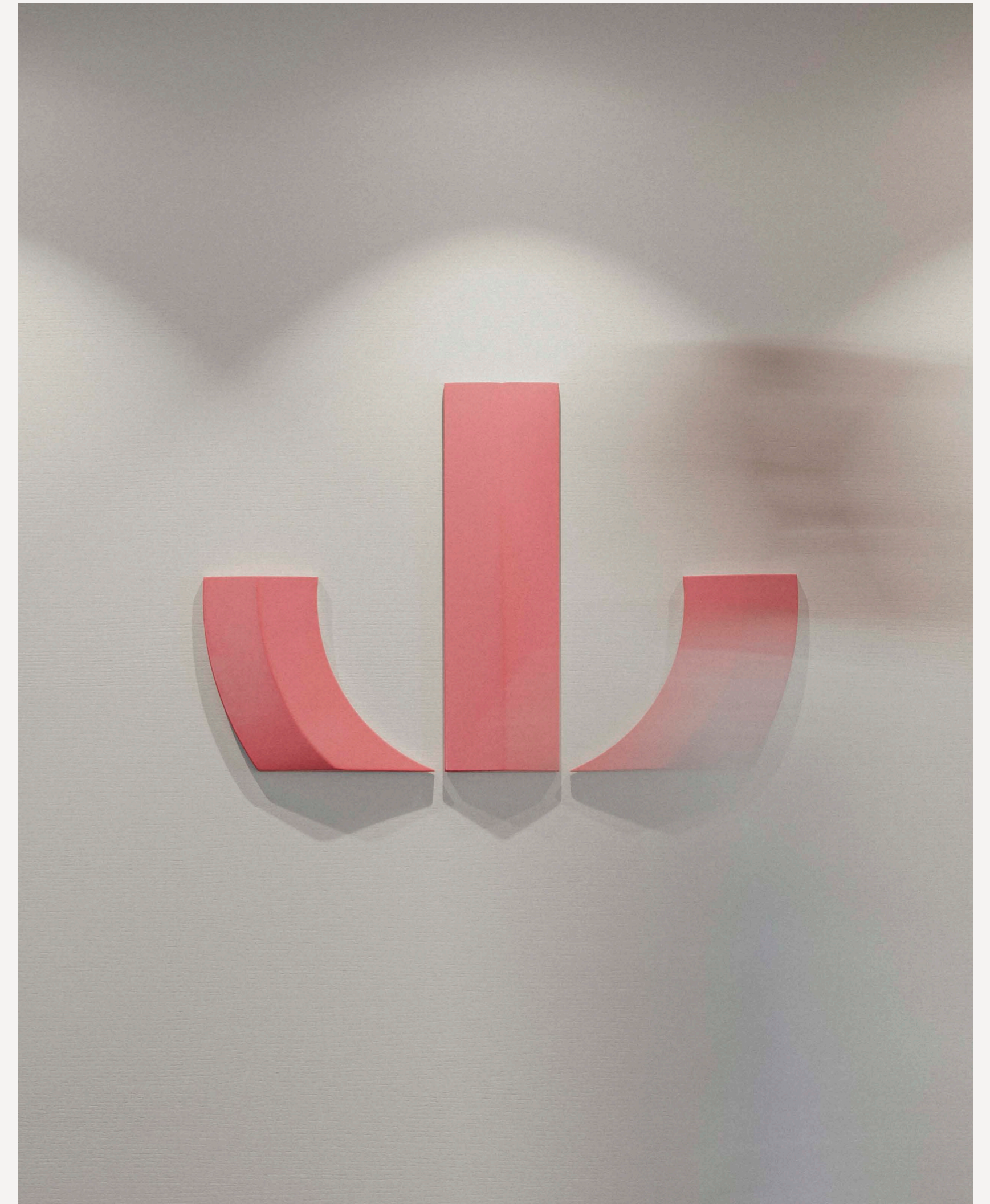
Our bottom line is down from last year, and although our combined ratio has improved, we have not yet achieved balance. Financial market volatility increased towards our year-end, due largely to the worsening situation in Ukraine. Market fluctuations led to an investment loss for the year, although Skuld's financial strength remains close to the board's target. Our solvency position is robust, which gives us a solid basis for further growth.

Diversification remains important to Skuld. The contribution of commercial business in support of our mutual core continues to be a vital part of our strategy. We always aim to achieve a positive contribution from commercial underwriting, but 2021/22 proved to be a rather claims-intensive year for our offshore portfolio which suffered some considerable claims.

Meanwhile we completed the sale of Asta, our third-party Lloyd's managing agent, but the deal still awaits regulatory approval. Hence, contribution from the sale will most likely be included in the 2022/23 first quarter result. I am thankful for the cooperation with the professional Asta team and wish them all the best for the future.

### **125 years young**

We have entered our 125th anniversary year, and while paying respect to our long and proud history, our main focus remains on the future. We look forward to celebrating our important anniversary with members and friends at the time of our September Annual General Meeting in Oslo. Personal relations are the lifeblood of Skuld, and our 125th anniversary is a great occasion to meet and build on our strong culture.





"We have entered our 125th anniversary year, and while paying respect to our long and proud history, our main focus remains on the future."

Over our century and a quarter, Skuld has developed from a purely Scandinavian P&I Club into a world-leading marine insurer with a strong financial position and service levels second to none. To underline this position, we have taken the opportunity, in our anniversary year, to modernise our branding and corporate identity to reflect our role of today.

#### **Protecting ocean industries**

Our purpose is to protect the ocean industries and experience has shown us how important it is to ensure the health and safety of people, property, and planet. For that, Skuld provides appropriate risk-reduction measures, including our keen focus on sustainability. In this, our primary role will always be to assist our customers as they continually adapt to the growing global requirements, so sustainability will remain one of our highest priorities for 2022/23 and beyond.

We continue to improve our digital solutions for the benefit of our members, clients, and brokers, aiming for smarter, more efficient and interactive ways to serve customers. Skuld is forward leaning, but we will always balance digital solutions with the personal, hands-on service for which we are renowned.

#### **Growth ahead**

Skuld's overall growth strategy remains, as does our careful selection of quality tonnage. Despite our expectation of continued geopolitical uncertainty and highly volatile financial markets, we retain beneath us a strong foundation for further positive growth.

For several years we had predicted consolidation in the P&I sector, and so we are unsurprised to see it begin. The recent merger of clubs is a reminder that size and financial strength are important. Skuld's

strategy for the time being is to stand alone, but we are open to relevant opportunities that may arise. Skuld's continued participation in the International Group of P&I Clubs remains critical to our club's reinsurance and pooling arrangements, which deliver significant cost benefits to our members. They help us to ensure that our members and clients are fully covered against the perils of today and tomorrow.

During the 2021/22 year and throughout the pandemic, Skuld people have continued to deliver market-leading levels of service through dedicated and coordinated teamwork across our network of offices and departments. My thanks go both to our high-quality members and clients for their continued support and loyalty, and to Skuld's extraordinary staff for their dedication in troubled times.

After 125 years protecting ocean industries, we know the past, and have learned from it. We are ready for the future, when we will continue to provide members, clients, and brokers with world-class coverage and service so that they can all rest assured with Skuld.

STÅLE HANSEN  
President and CEO



04  
Chairman's report



## Standing strong

2021/22 was a difficult year. Pool claims through the International Group were much higher than expected, and Skuld's own claims – P&I and commercial alike – were also higher than usual. Investment income was driven down by factors beyond our control, including the global geopolitical situation and the ongoing Covid-19 pandemic. In view of these circumstances, Skuld's result is acceptable, and better than I had anticipated thanks to the outstanding efforts of Skuld's staff and management.



Our various business segments faced a cocktail of challenges last year. Pandemic impacts continued to affect shipping negatively for many, but positively for some segments due to the recent uptick in world trade. The knock-on effect on the insurance side was complex. For example, we saw a considerable increase in claims linked to fully loaded vessels and crew issues.

Looking forward, I am very pleased with Skuld's professional handling of the 2022/23 policy-year renewal. The great team effort helped to achieve the premium increase made necessary by claims inflation. I am grateful for the loyalty and understanding members displayed as they renewed with Skuld. You have allowed us a very positive start to our 125th year.

Skuld's 125th anniversary year is a special milestone. We are proud of our long history, and of Skuld's evolution into a major global insurance provider. By offering both P&I and commercial insurance, we now stand firmly on two strong legs. Skuld was a first-mover in diversification, but the competition continues to follow, so while enjoying our accomplishments, we must not lean back and lose momentum.

Supporting the sustainability of ocean industries is another way we choose to lead. We have embraced this critical area as a strategic initiative, with our board and management in active support of Skuld's sustainability targets and activities. It will remain a major focus for many years to come, both for Skuld and for our members, whom we pledge to help where we can as they navigate the challenges.

### Ways forward

The insurance year ahead looks promising, but financial markets remain volatile, with a couple of dark horses out there stalking. The war in Ukraine is one; it has shocked the world, and continues to affect many citizens and seafarers, who are in my thoughts. The conflict will continue to have a significant impact on the global economy, including financial markets and the shipping sector. Skuld will handle the situation with strict and conscientious care by monitoring rules and regulations constantly and acting according to imposed sanctions in every respect.

Covid-19's impact on daily life appears to have eased in recent months, at least in well-vaccinated Europe and the US. However, as the ongoing Covid crisis in China clearly illustrates, it is still too soon

**"I am proud to state that Skuld stands strong in its 125th year, and robust and ready for the future."**

to discount future Covid challenges. Great uncertainty lingers world-wide. Meanwhile, financial and economic fallout from the pandemic – which appears to include a general return to inflation and tighter national monetary policies – continues to muddy the horizon.

Skuld and our services have a strong and positive profile in the marine insurance industry. Our skilled claims handling team stands out, along with excellent loss prevention services and casualty response record. I have been impressed by the way Skuld works as a company, and by the relentlessly professional efforts of Skuld employees. They faced the greatest test during the pandemic, when their offices were temporarily shuttered, and their normal routines swept away. To their enormous credit, they seamlessly and flexibly continued to provide impeccable service, working from home for the benefit

of members, clients, and brokers. This was truly exceptional, and I thank you all for a job very well done.

With our strong and strategic board and management behind us, I am confident that Skuld has many successful years ahead. Our ambition to be best-in-class in the marine insurance market is strong, as is our desire to develop through innovation, and to serve our customers in the very best ways possible.

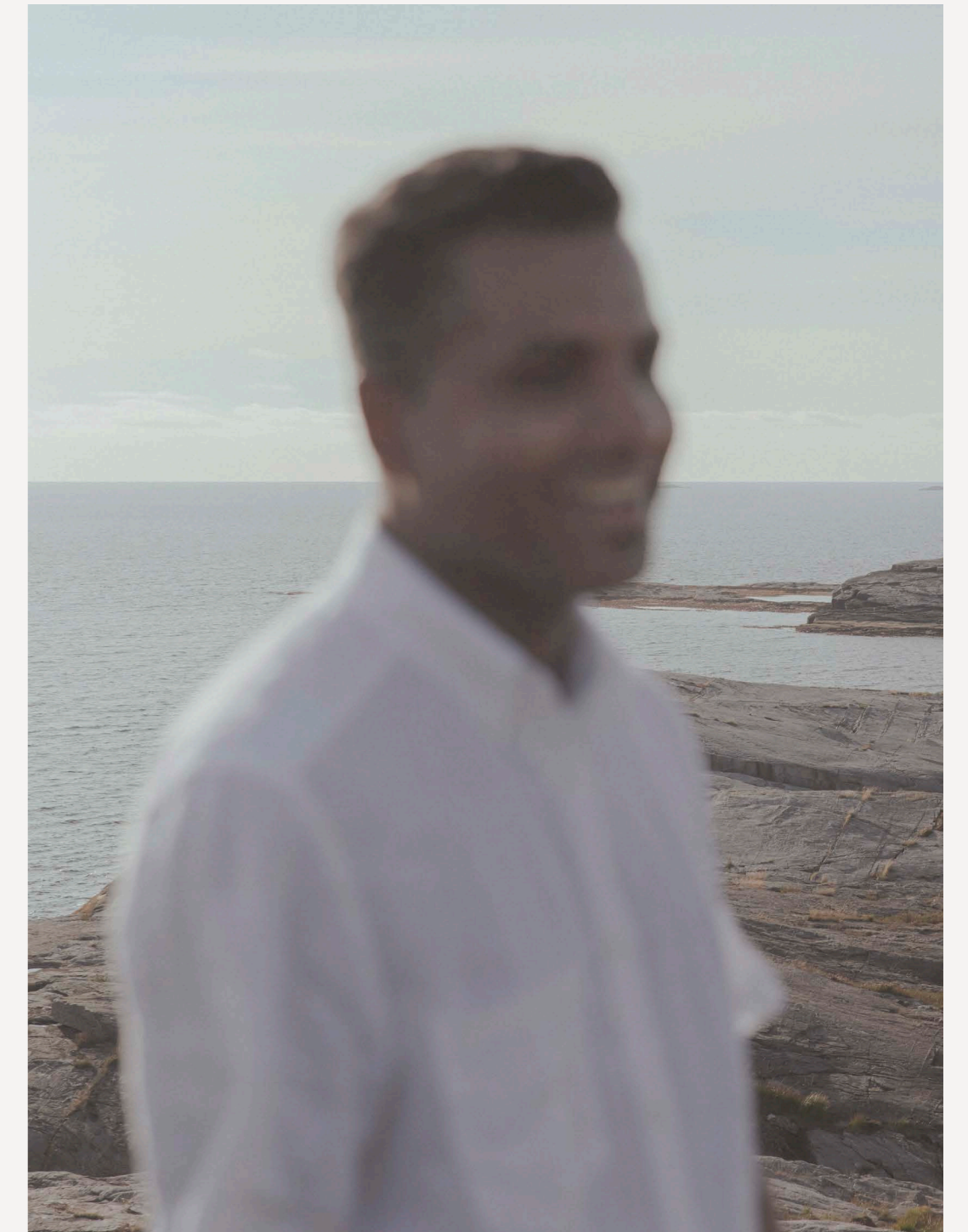
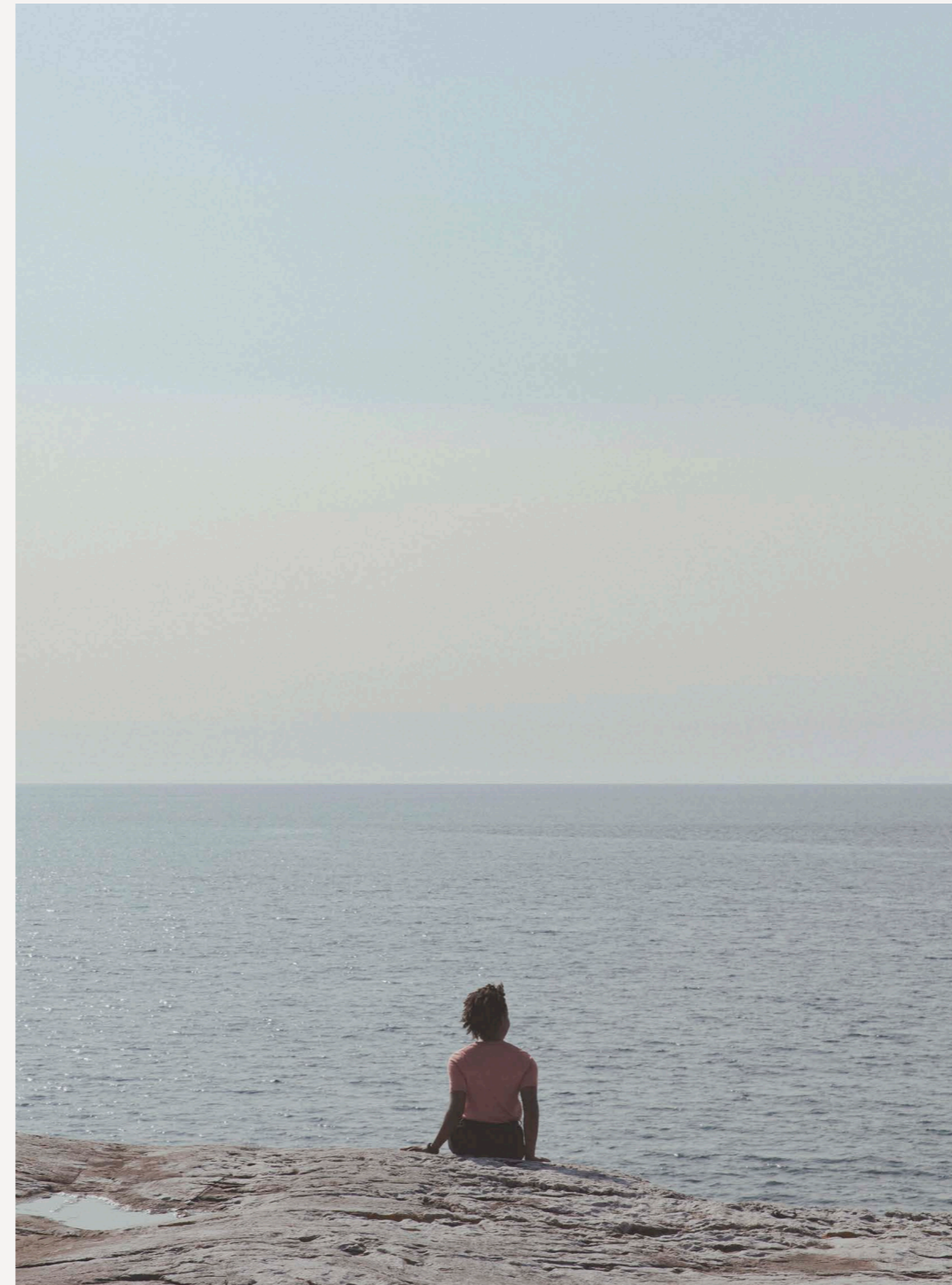
I am proud to state that Skuld stands strong in its 125th year, and robust and ready for the future.

KLAUS KJÆRULFF  
Chairman of the Board



# Sharing the same horizon

We build on our past to ensure we protect our members and clients in the present, and we work with you to help you adapt and respond to future risks.







05

# Key figures summary



## Key Figures 2021/22

Skuld delivers a financial result of USD -15 million for the year ended 20 February 2022 with a technical result of USD -30 million. The combined ratio improved year-on-year to 107%.

The technical result has been influenced by large claims in Skuld's own portfolio as well as several large claims reported through the International Group pooling system. Skuld reported one pool claim. Skuld has also this year been affected by Covid-19 related claims and increased average cost on people claims. Gross earned premiums and calls increased with USD 29 million compared to 2020/21 and ended at USD 420 million. Mutual rates have not been sustainable for some time and Skuld has started the work to bring the portfolio back into balance through improved rates for policy year 2022.

Volatility and fluctuations in the financial markets led to an investment return of -0.4%. The negative investment return was primarily driven by rising yields and a strengthening of the USD. With a positive contribution from other foreign exchange adjustments, net investment income

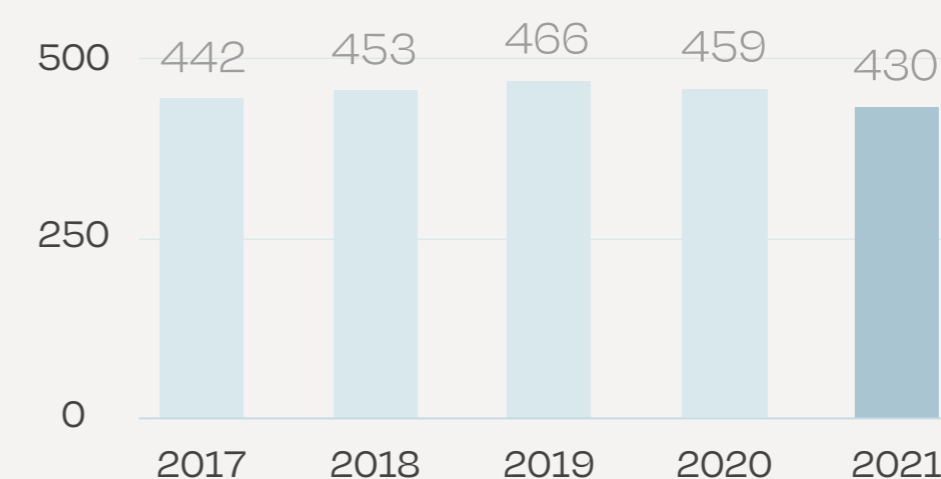
ended at USD 2 million, compared to USD 63 million last year.

Taxes amounted to a tax income of USD 13 million in 2021/22, mainly driven by the negative result. Deferred cessation tax is presented as a part of the contingency reserve. As the deferred cessation tax will be payable over a 10-year period, the deferred cessation tax will be reduced year by year. Skuld has disputed the taxation of historical contingency reserve (the deferred cessation tax) and the payment is put on hold.

Skuld's financial and solvency position is strong, and the contingency reserve now stands at USD 430 million. Skuld remains well above all regulatory solvency requirements and is aligned with its own stricter internal solvency targets as set by the board.

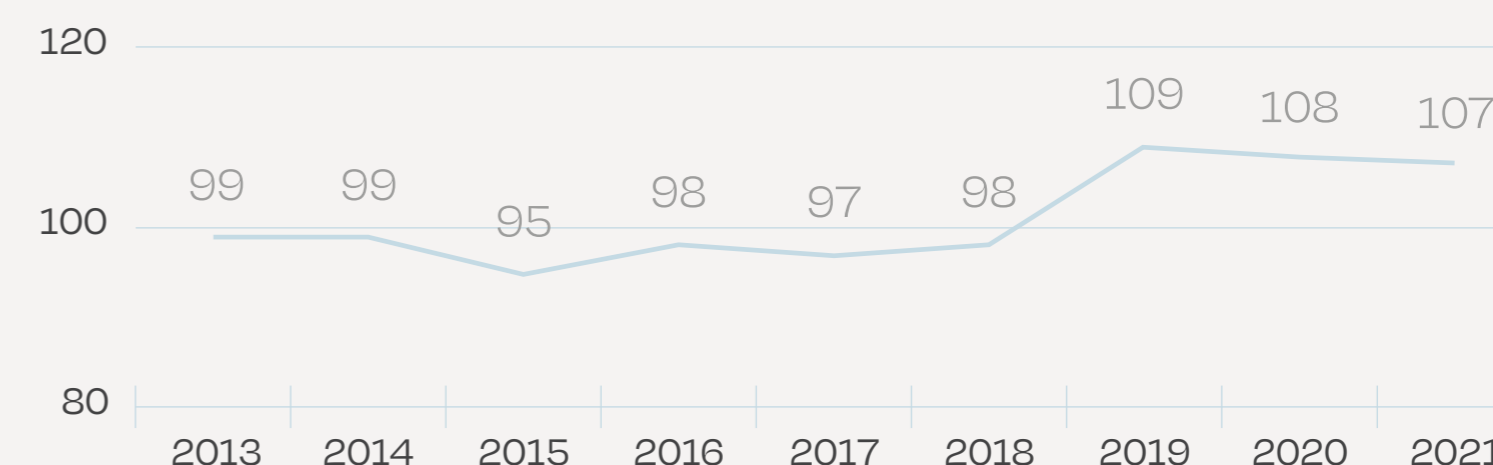
### Contingency reserve

USD mill.



### 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.

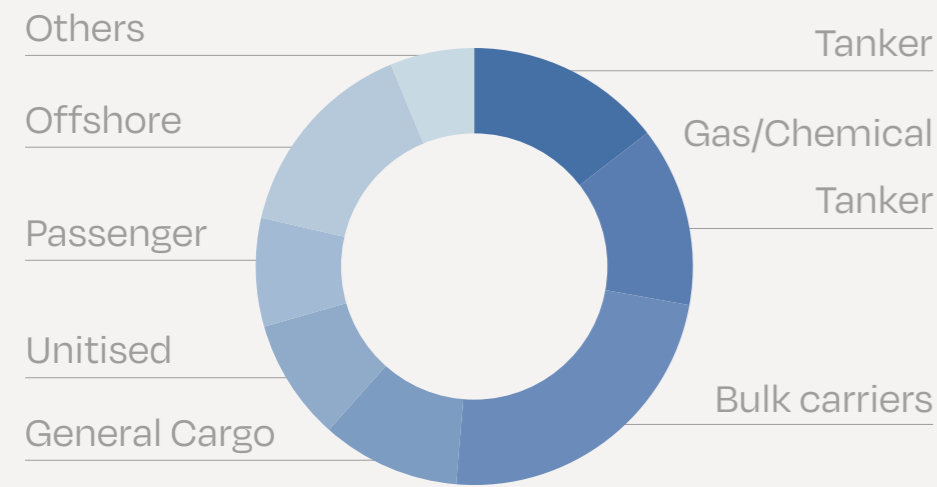
### Transparency policy

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\*

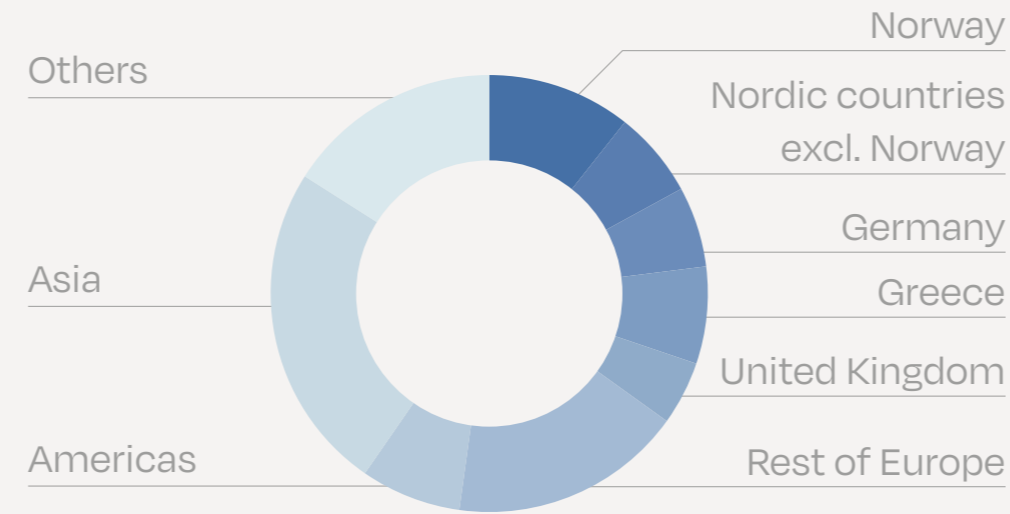
By vessel type



\* Total gross premium all products: USD 420 million

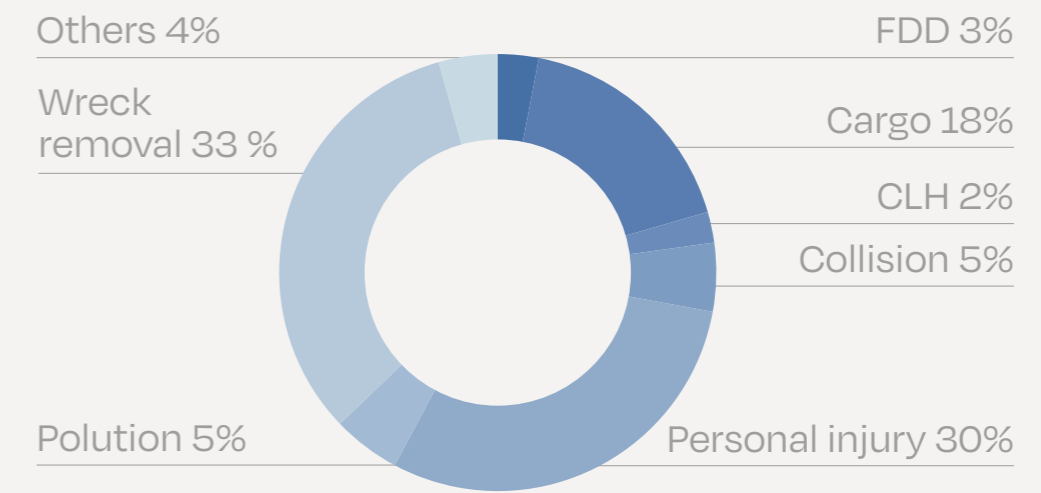
### Premium distribution\*

By region



### Distribution of claims costs

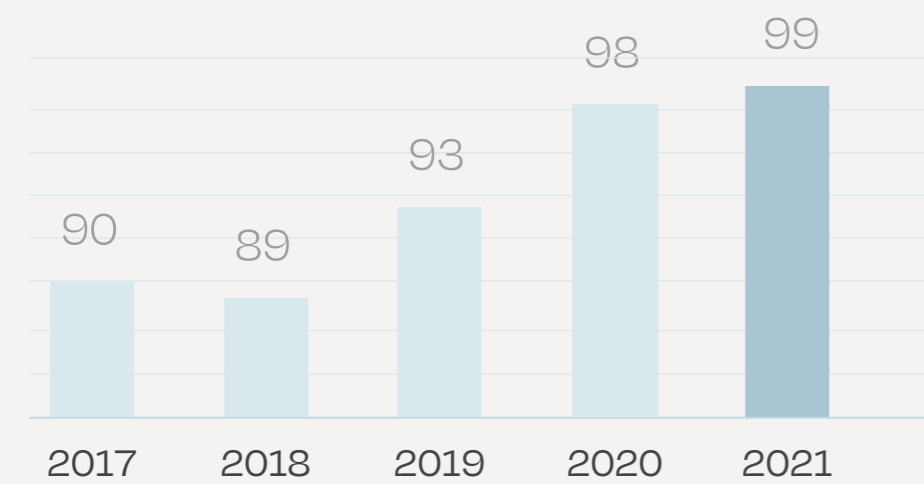
In percent



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

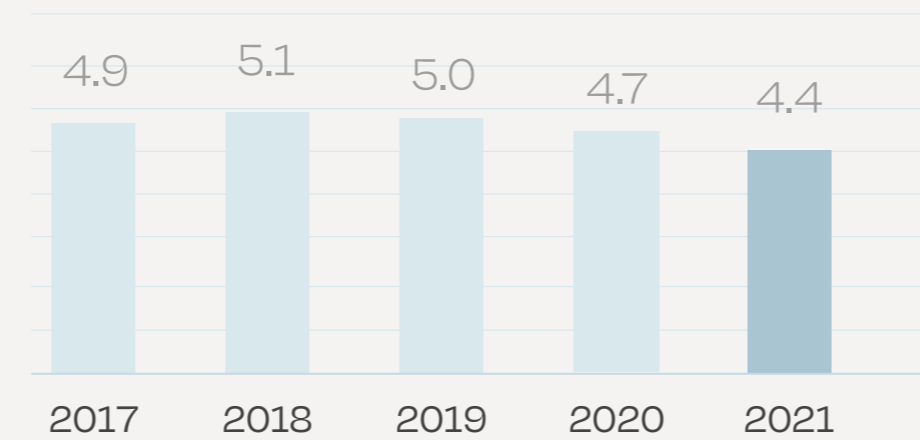
### P&I owners' GT

Mill. GT



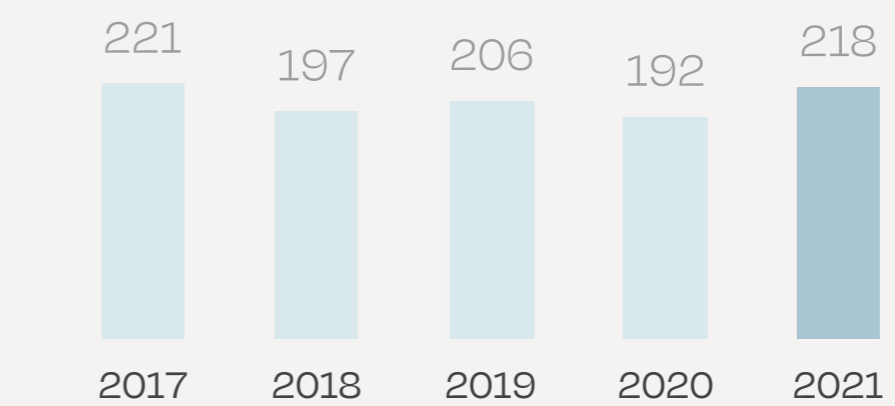
### Contingency reserve per GT

USD



### Commercial gross premium

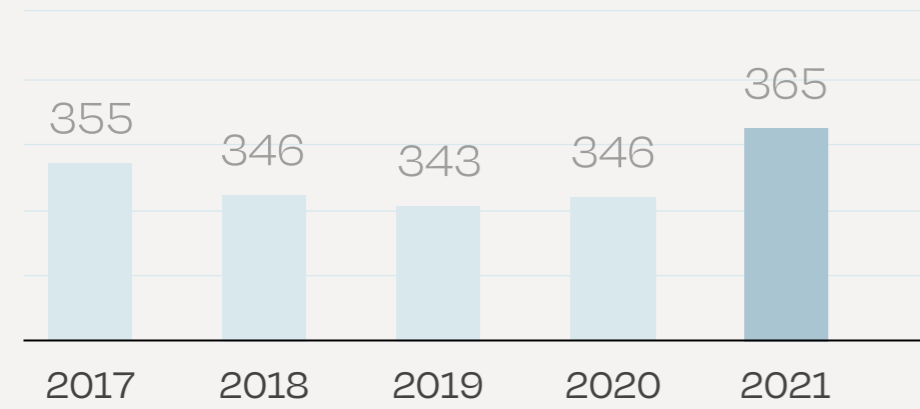
USD mill.





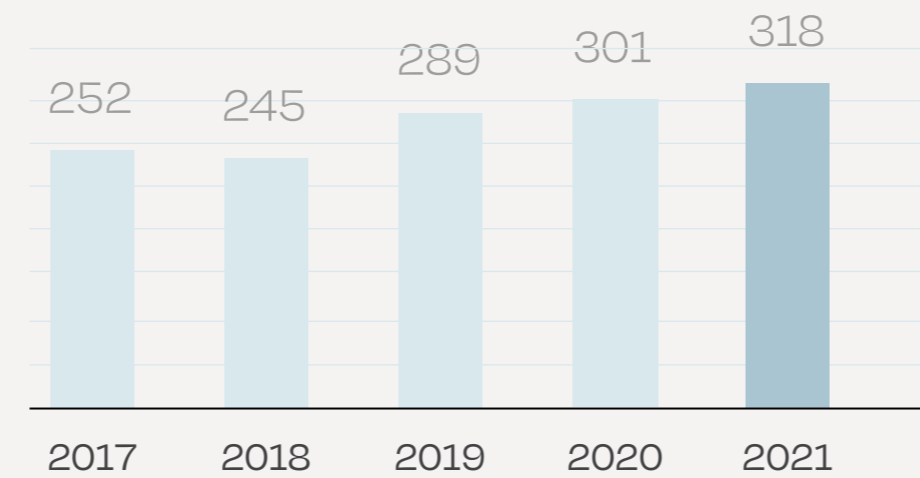
### Net premiums and calls for own account

USD mill.



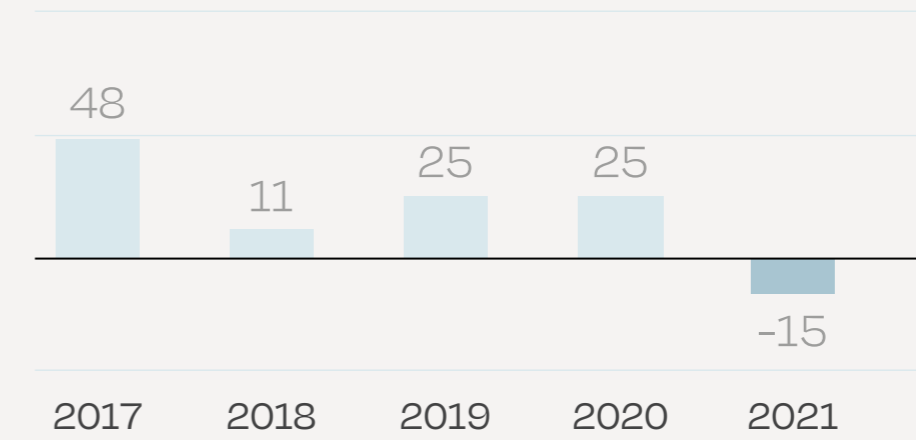
### Net claims incurred for own account

USD mill.



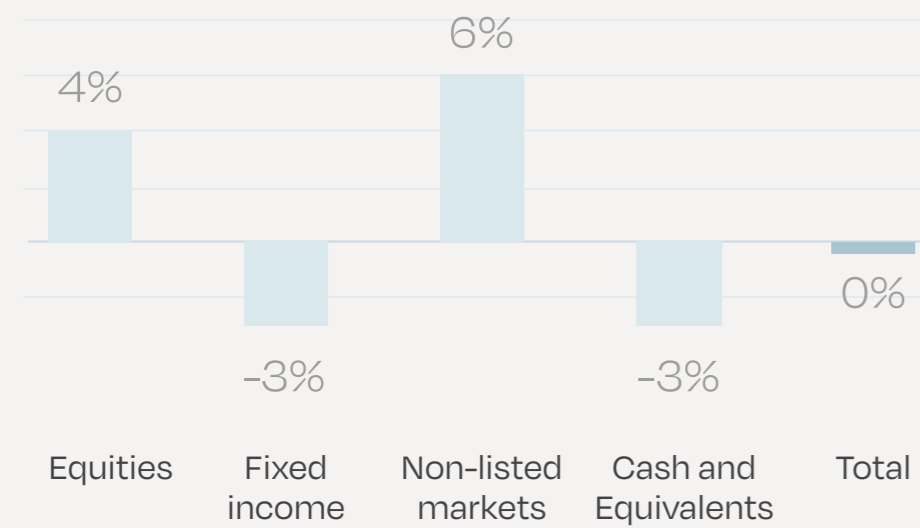
### Balance carried to contingency reserve

USD mill.



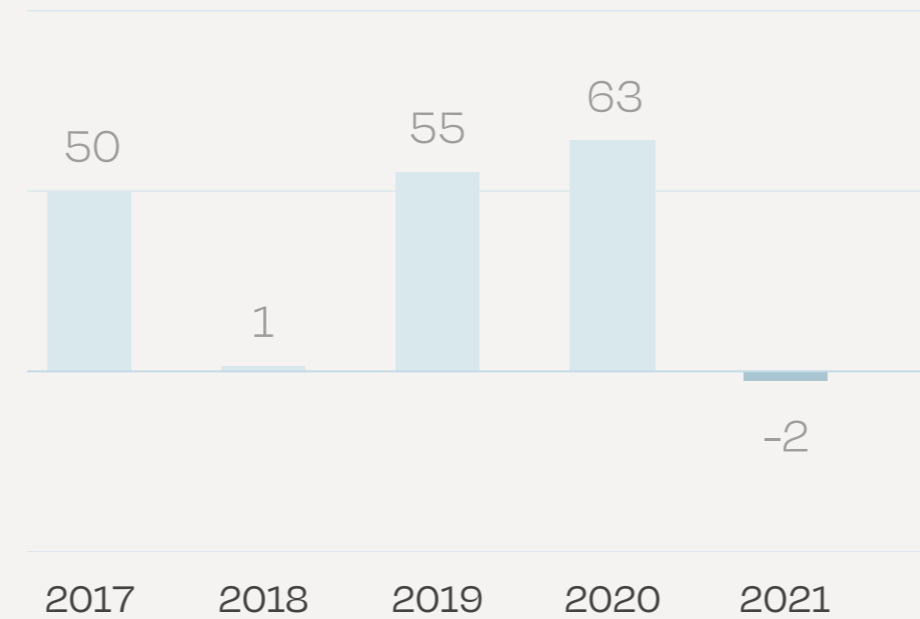
### Investment performance

In percent



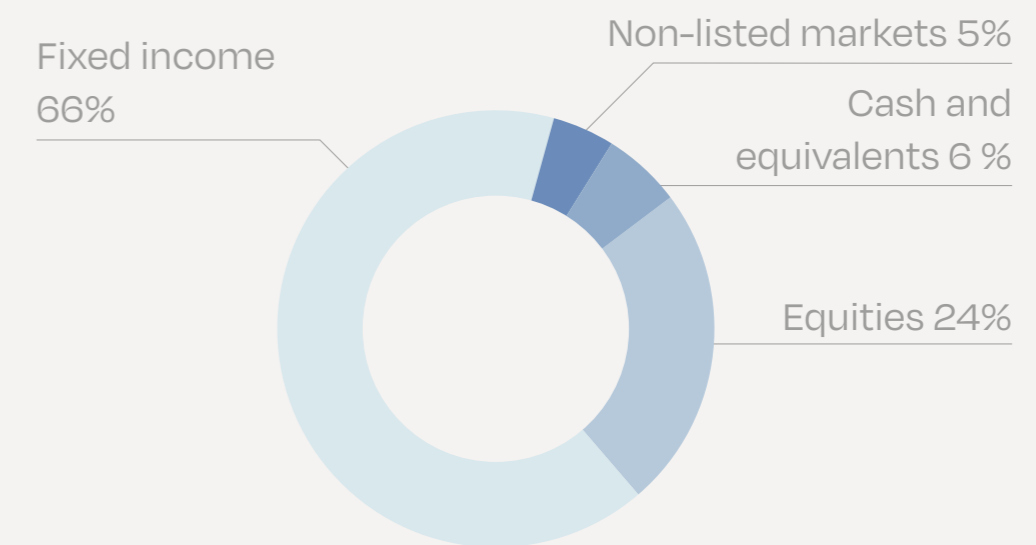
### Net investments income

USD mill.



### Investments by asset class

In percent





## Consolidated income and expenditure account as at 20 February

USD million	2021/22	2020/21	2019/20	2018/19	2017/18
<b>TECHNICAL ACCOUNT</b>					
Premiums and calls	419.5	390.8	390.8	401.6	412.7
Reinsurance premiums	-54.1	-44.7	-47.4	-56.1	-57.4
<b>Premiums for own account</b>	<b>365.4</b>	<b>346.1</b>	<b>343.4</b>	<b>345.6</b>	<b>355.4</b>
Pool claims	-31.2	-41.1	-24.5	-32.1	-28.2
Own claims for own account	-286.7	-260.0	-264.3	-212.4	-223.4
<b>Claims incurred for own account</b>	<b>-317.7</b>	<b>-301.2</b>	<b>-288.8</b>	<b>-244.6</b>	<b>-251.6</b>
Acquisition costs	-59.9	-57.7	-70.5	-74.5	-78.6
Administrative expenses	18.3	-17.4	-19.3	-18.5	-19.6
Discontinuation defined benefit scheme	0.0	0.0	0.0	0.0	6.0
<b>Net operating expenses</b>	<b>78.0</b>	<b>-75.1</b>	<b>-89.8</b>	<b>-92.9</b>	<b>-92.2</b>
<b>Balance carried to non-technical account</b>	<b>-30.3</b>	<b>-30.1</b>	<b>-35.2</b>	<b>8.0</b>	<b>11.6</b>
<b>NON TECHNICAL ACCOUNT</b>					
Balance from technical account	-30.3	-30.1	-35.2	8.0	11.6
Net investment income	2.1	62.9	55.1	0.9	50.1
Taxes	-13.2	-6.3	5.0	-0.5	-0.2
Other result components	0.3	-1.9	0.6	2.2	-3.9
<b>Distribution to members</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-9.6</b>
Balance carried to contingency reserve	-14.7	24.6	25.5	10.7	48.0



## Balance sheet as at 20 February

USD million	2021/22	2020/21	2019/20	2018/19	2017/18
<b>ASSETS</b>					
Financial investments	889.2	863.5	817.5	845.1	850.7
Debtors	11.2	7.6	11.7	6.4	26.2
Other assets	196.7	192.8	216.6	158.9	146.4
Prepayment and accrued income	19.0	17.1	21.2	18.4	46.9
<b>Total assets</b>	<b>1 116.0</b>	<b>1 081.0</b>	<b>1 067.1</b>	<b>1 028.8</b>	<b>1 070.1</b>
<b>LIABILITIES</b>					
Provision for outstanding claims for own account	595.2	529.9	546.9	529.0	527.7
Contingency reserve	430.1	459.1	465.8	452.7	442.0
Members' funds	370.7	385.4	363.8	452.7	442.0
Deferred cessation tax	59.4	73.7	102.1		
Minority interest	0.0	0.0	-3.4	-3.4	-3.4
<b>Technical provisions for own account</b>	<b>1 024.9</b>	<b>989.0</b>	<b>1 009.4</b>	<b>978.3</b>	<b>966.4</b>
Provisions for other liabilities	58.8	61.1	11.7	8.2	8.2
Creditors	30.0	24.3	27.1	33.0	58.7
Accruals and deferred income	2.0	6.5	19.0	9.4	36.8
<b>Total liabilities</b>	<b>1 116.0</b>	<b>1 081.0</b>	<b>1 067.1</b>	<b>1 028.8</b>	<b>1 070.1</b>



06

# Service and teamwork



## Service and teamwork – Global network

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

### Claims

Cases opened

12 072

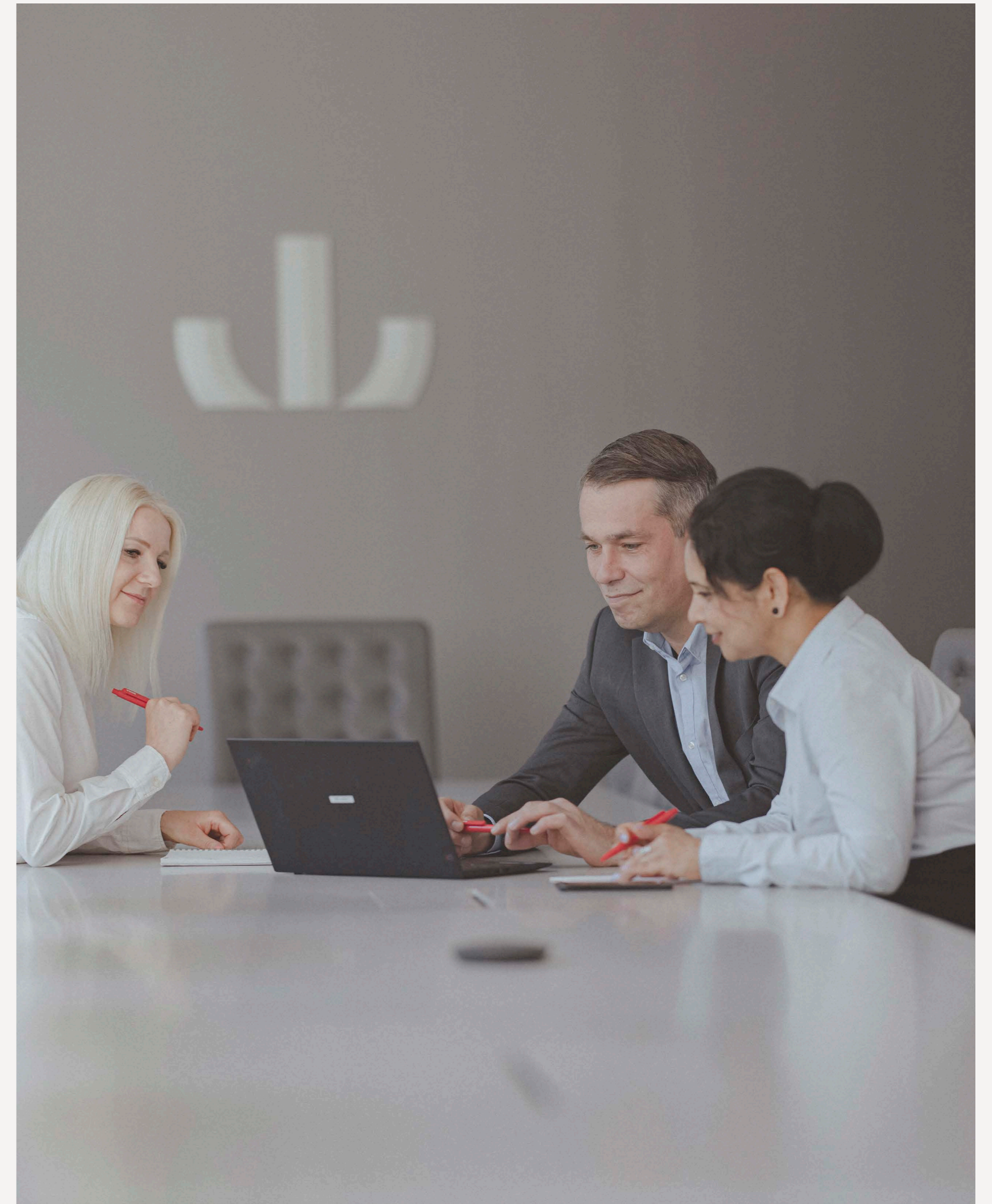
Lawyers and claims executives

116

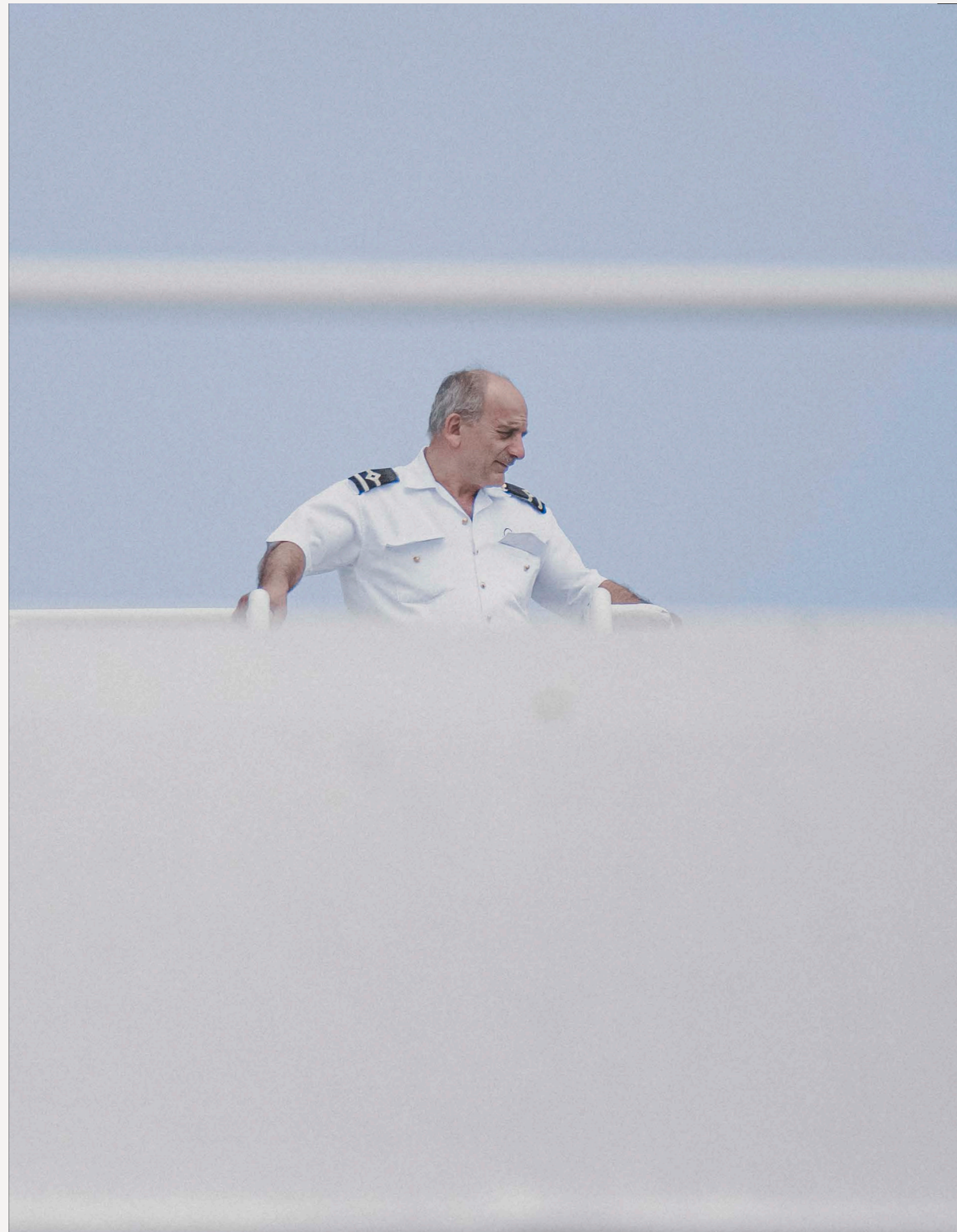
Legal jurisdictions

20

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







## Loss Prevention

Condition surveys

157

Master mariners, naval architects and engineers

14

Webinars, seminars and workshops

94

Providing timely, accurate and actionable loss prevention advice is a key service to our members.

## Casualty and Major Claims

24/7/365

Hands-on casualty response.  
Legal, technical and operational support.  
Worldwide collaborative network.

Notified Casualties

34

Significant wreck removal incidents

4

Casualty specialists

15

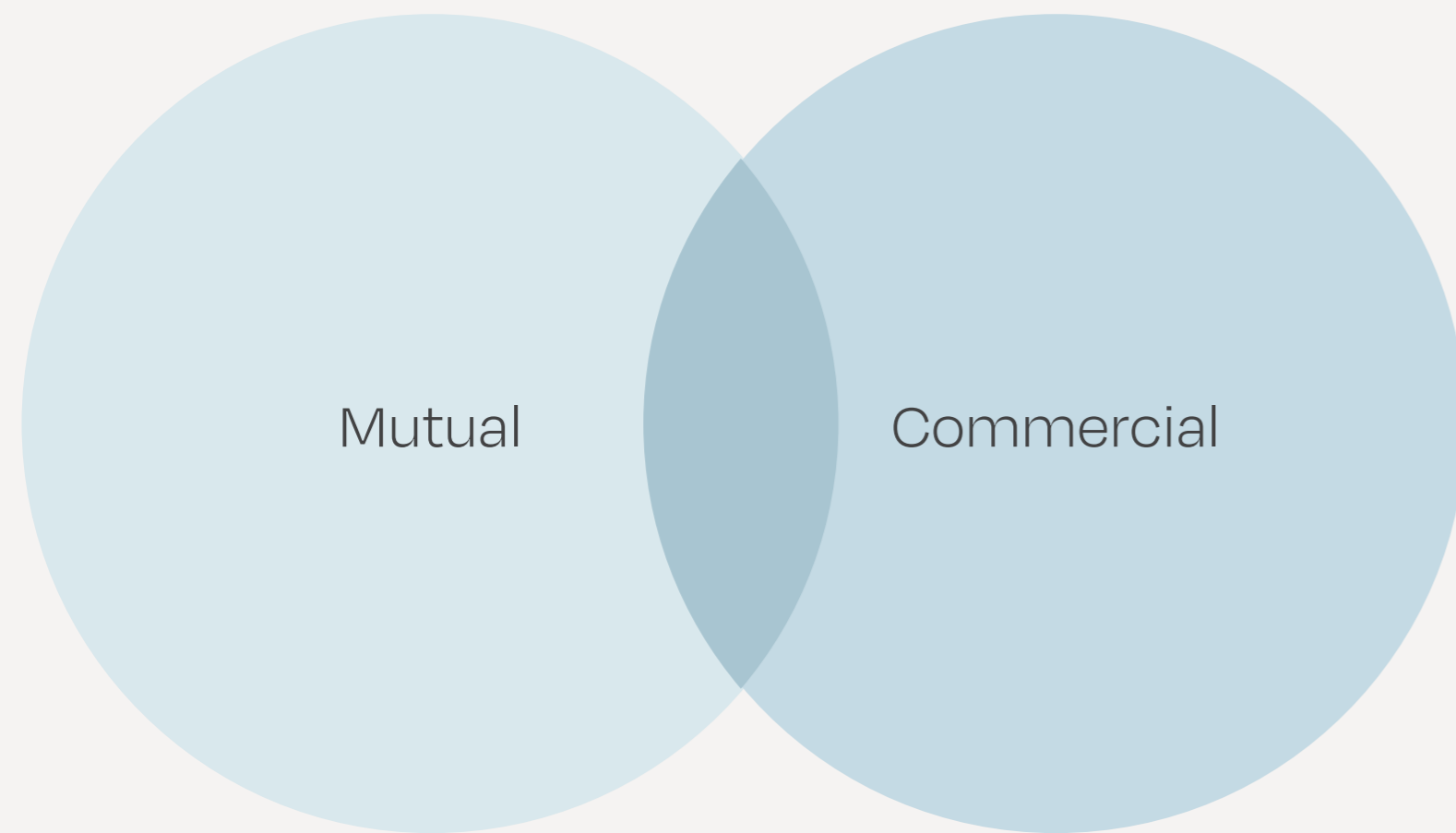
Pool claim

1



# Underwriting

Synergies – one team



Premium growth

# + 7.7%

Mutual

# +2.3%

2020/21

2021/22

Commercial

# +13%

2020/21

2021/22

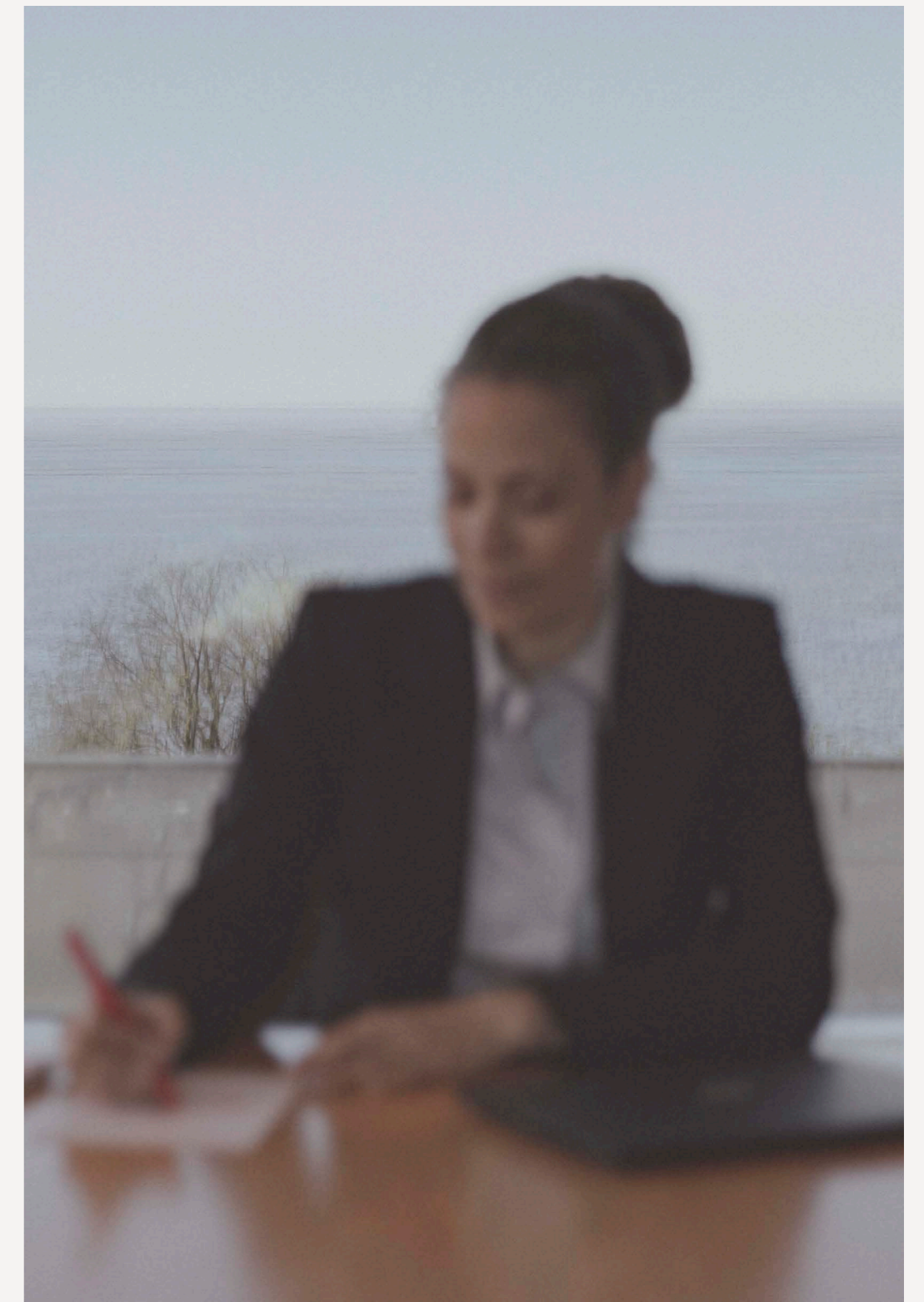
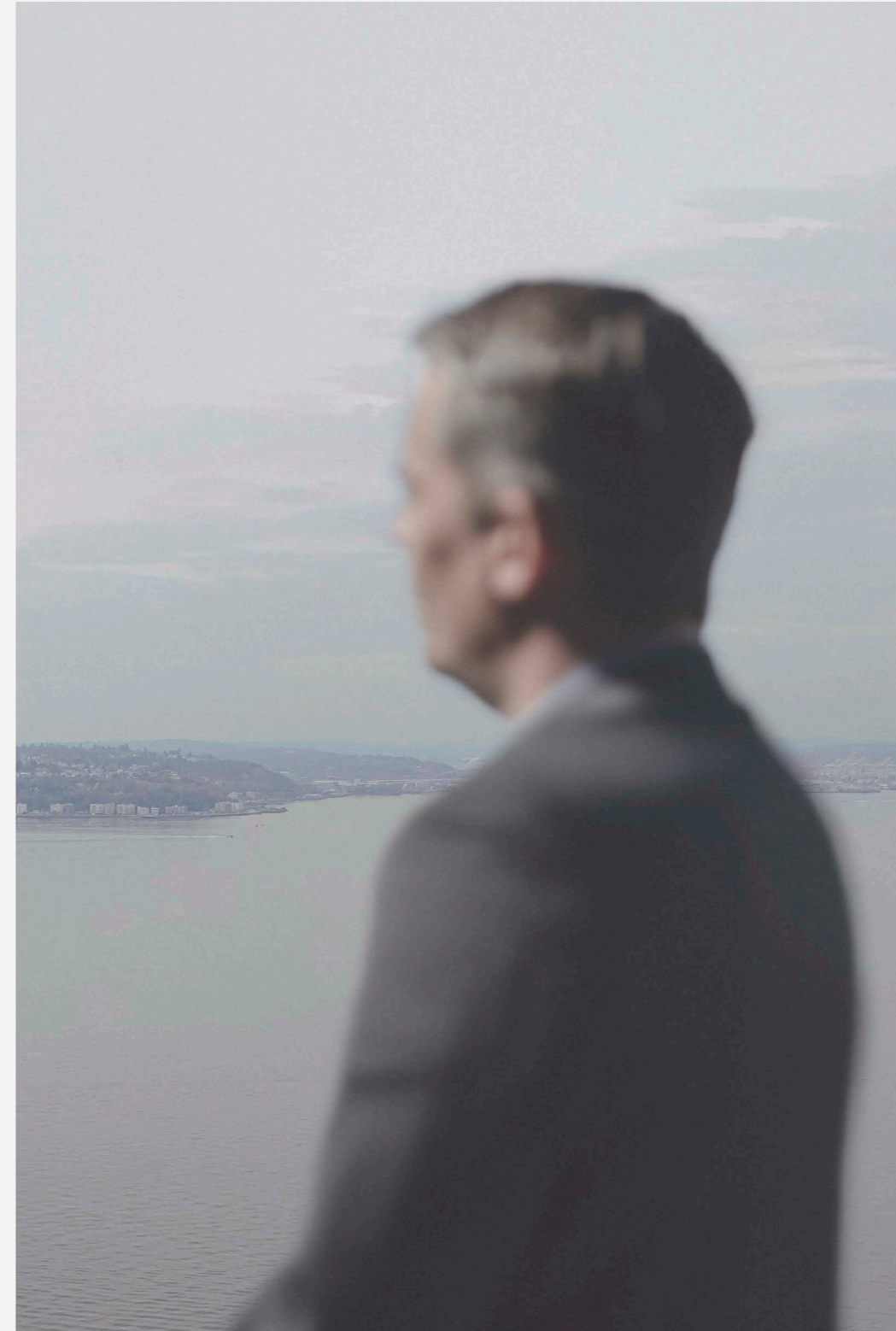
Earned premium for 2020/21 as of 20 February 2021 compared to earned premium for 2021/22 as of 20 February 2022.

Quality selection of members and vessels. We cover all marine insurance needs for shipowners, charterers, the offshore and energy sector, the superyacht community, offshore aquaculture and more.



# Trust looks the same from Hamburg to Hong Kong

Living our values, we create a great workplace built on the pillars of teamwork, transparency and equality. Each and every employee is empowered to develop both personally and professionally. Worldwide, our people are the beating heart of our business, and we pride ourselves on providing opportunities for all. As one team, we come together to deliver a service built on the foundation of trust.





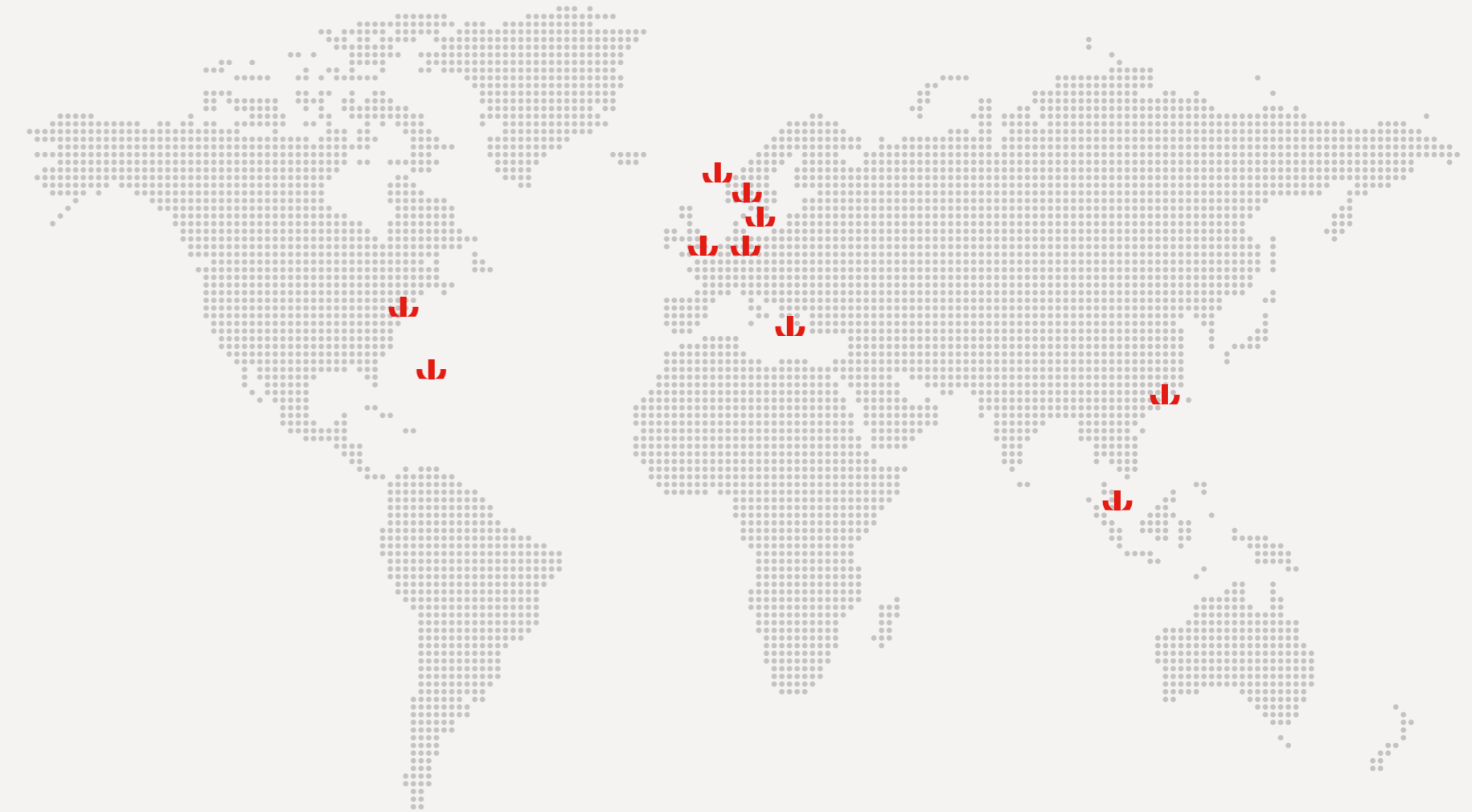
# Global network - one team

# 10 offices around the world

Ratio men/women



Total employes



Average age

44

Nationalities

31

Average years employed

9

North America

Skuld New York  
Skuld Bermuda

Europe

Skuld Oslo (HQ)  
Skuld Bergen  
Skuld Copehagen  
Skuld Hamburg  
Skuld Piraeus  
Skuld London

Asia

Skuld Hong Kong  
Skuld Singapore  
(Tokyo - opening 2022)

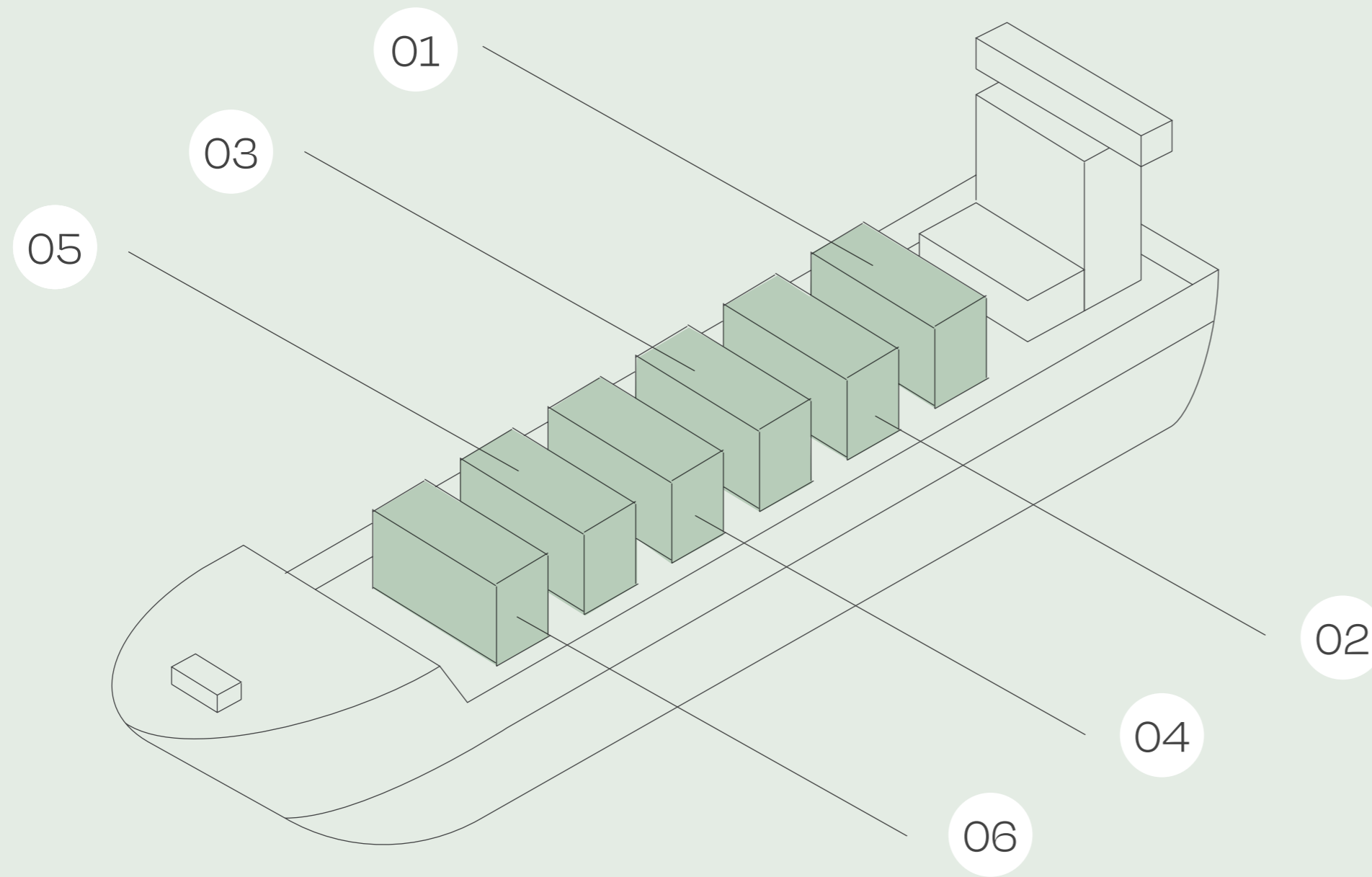


07  
Sustainability



# Skuld sustainability platform

Our sustainability platform outlines the principles and commitments we have selected to reflect the governing elements of sustainability at Skuld. They include chosen UN Sustainable Development Goals, the UN Global Compact (UNGC), the UN Women's Empowerment Principles, and the Global Reporting Initiative, or GRI. The Platform highlights the main areas of our work.



- 01 Selected UN sustainable development goals

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- 02 Selected reporting commitments

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- 03 Stakeholder cooperation

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- 04 Skuld sustainability projects and initiatives

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- 05 Continuous ESG risk assesment

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- 06 Global ESG regulations and requirements



# 01

## Selected UN sustainable development goals

The 17 UN Sustainable Development Goals (SDGs) constitute a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. As part of our commitment to sustainability, Skuld focuses on five key SDGs:

3 GOOD HEALTH AND WELL-BEING



### GOOD HEALTH AND WELLBEING

Skuld works to improve health and safety during working life for crew and employees.

10 REDUCED INEQUALITIES



### REDUCED INEQUALITIES

Skuld promotes diversity and gender equality internally and externally.

13 CLIMATE ACTION



### CLIMATE ACTION

Skuld integrates climate change measures into strategy, decisionmaking, underwriting, and investment practices.

14 LIFE BELOW WATER



### LIFE BELOW WATER

Skuld encourages resource-sensitive behaviours.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



### PEACE, JUSTICE AND STRONG INSTITUTIONS

Skuld acts against corruption and bribery in all their forms.

# 02

## Selected reporting commitments

Skuld commits voluntarily to:

- Report according to the GRI
- Support the Ten Principles of the UNGC on human rights, labour, the environment, and anti-corruption
- Adhere to the seven UN Women's Empowerment Principles, and
- Report to the SHE Index.

# 03

## Stakeholder cooperation

In cooperation with employees, members, clients, brokers, correspondents, authorities, industry organisations, and suppliers, Skuld contributes to multiple sustainability initiatives.

# 04

## Skuld sustainability projects and initiatives

Our Sustainability Working Group spans all organisational key functions and is dedicated to various sustainability projects and activities, internal and external.

# 05

## Continuous ESG risk assessment

Skuld conducts continuous internal assessments of Environmental, Social, and Governance (ESG) risks.

# 06

## Global ESG regulations and requirements

We comply with all mandatory ESG risk assessment and reporting requirements, and seek to embrace them as an opportunity.

Related information:

- ▶ [UN Sustainability Development Goals](#)
- ▶ [Global Reporting Initiative](#)
- ▶ [SHE Index](#)



## Continued focus on wellbeing

We are committed to both seafarers' and our employees' wellbeing.

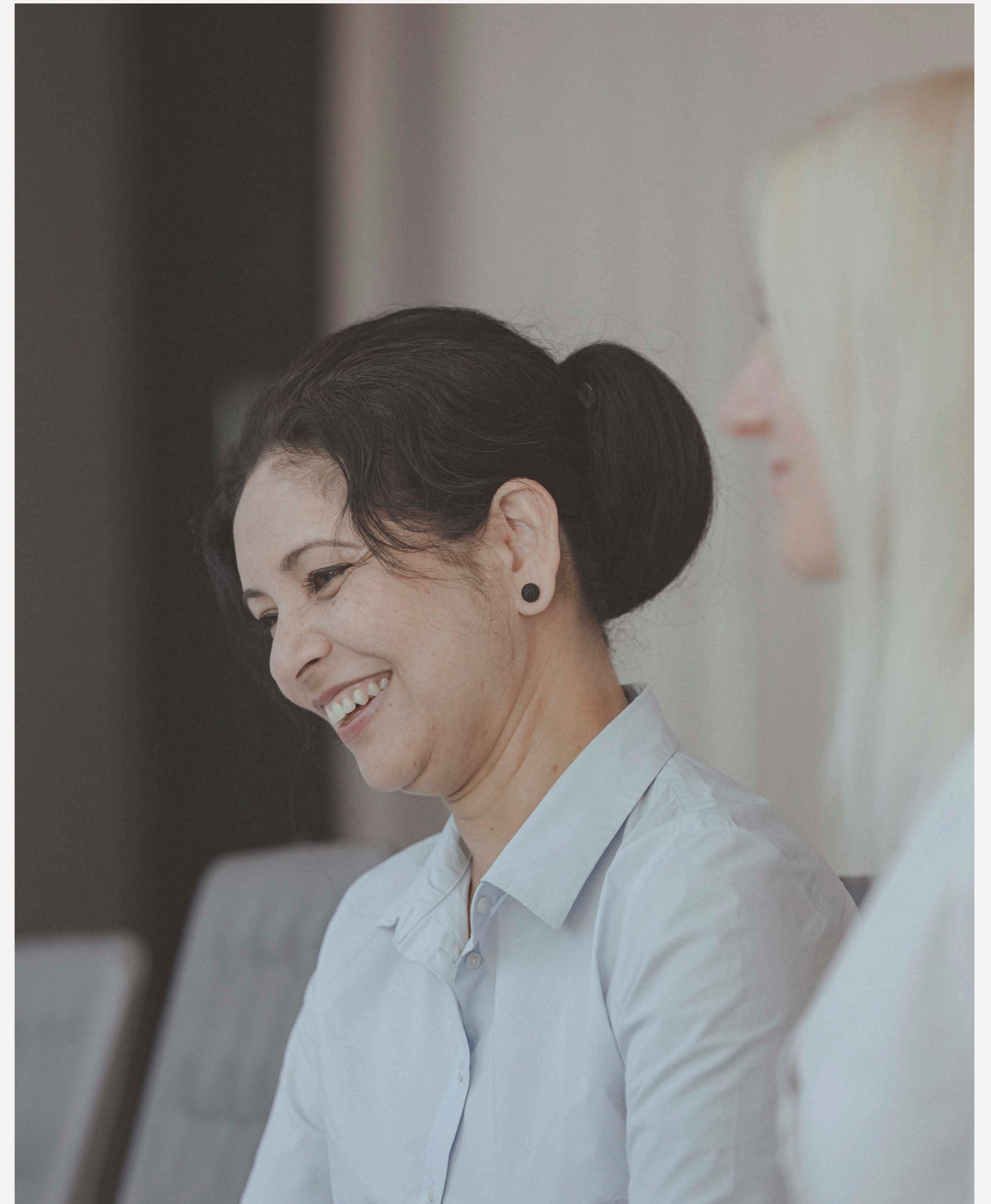
Skuld has entered a cooperation with the Norwegian Training Centre Manila with focus on seafarers' mental health. We continue our initiatives to reduce stress and build mental resilience among our employees and we have implemented a

flexible approach where employees can work up to two days from home per week.

The overall satisfaction score from our leadership in practice survey in 2021 increased to a high level of 5.3, up from 5.2 in 2019 on a six-point scale.

## Selected Achievements 2021/22

- Web-based incident reporting implemented, and compliance forums established in all overseas offices
- Zero events of non-compliance with laws and regulations
- Zero whistle blowing reports
- 52% women attended Skuld's leadership programme in 2022, up from 29% in 2018
- Sustainability reporting requirements introduced in wreck removal contracts and similar services
- Skuld employees collectively walked 17.9 million steps during Skuld Impact Week, and in turn Skuld donated to ISWAN's Seafarers Emergency Fund.







08

# Gender equality and diversity



## Gender equality and diversity in Skuld

Gender equality is a high priority for Skuld, and our overall goal is to achieve at least 40% of each gender in all managerial and key positions by 2025. Skuld has also committed to ensure equal salary level between genders at all levels (excl. CXO) by 2025.

We adhere to the UN's Women Empowerment Principles and report to the SHE Index. In 2022 Skuld achieved 64 points on the SHE Index, up from 62 points in 2021.

### Salary equality Skuld globally

Skuld globally	Share of women	Salary equality 2021/22	Goal by 2025
Operations/Trainees	95%	n/a	100% Salary equality
Executives	65%	95%	100% Salary equality
Senior Executives	49%	90%	100% Salary equality
AVP/VP	40%	95%	100% Salary equality
SVP	19%	109%	100% Salary equality
CXO (excluding CEO)	25%	79%	100% Salary equality
All levels (excluding CEO)	50%	70%	n/a
Norwegian Board level	43%	n/a	
Global Board level	27%	n/a	
Leaders at level 1-2	25%	n/a	
Leaders in all managerial and key positions	37%	n/a	40% gender equality

### She index score





## Activity and Reporting Obligation (ARP)

“Inclusive and diverse culture” is one of Skuld’s four strategic objectives approved by the Board and implemented by the Executive Management. It is a central part of our sustainability efforts under the UN SDG 3 “Good health and wellbeing” and the SDG 10 “Reduced inequalities” where Skuld focuses on the needs and wellbeing of its employees as well as diversity and gender equality.

This is a long-term commitment supported by our participation in gender equality initiatives like the UN’s Women Empowerment Principles, reporting to the SHE Index, WISTA’S “30 by 40” initiative and goals set for gender equality within the organisation.

### Gender equality

Skuld shall achieve at least 40% gender equality in all managerial and key positions by 2025 and has also committed to ensure equal salary level between genders at all levels (excl. CXO) within 2025. Further initiatives are measured in the SHE Index score each year. In 2022 Skuld achieved 64

points on the SHE Index, up from 62 points in 2021, see page 34.

From 2021, and in line with requirements of the Norwegian Gender Equality Act, Skuld strengthened its work on diversity and non-discrimination through the Activity and Reporting Obligations (ARP). This is Skuld’s first report under ARP, which is also part of our annual reporting and is reviewed and approved by the Board of Directors.

### ARP in Skuld

Skuld aims to be an inclusive and diverse workplace with equal opportunities regardless of gender, age, nationality, race, or other. In 2021 we have worked systematically to ensure diversity, equality and non-discrimination through clearly defined processes within recruitment, salary and compensation, promotions and opportunities for development, adjustments for individual needs, harassment and non-discrimination, work environment/HSE and work-life balance and parental leave.

Skuld has established a cross-departmental working group to conduct an ARP risk assessment. The group includes representatives from HR, Legal, HSE responsible and employee representatives. The group follows the four-step model by mapping the areas and processes, analysing causes of risks, implementing measures, and evaluating results of the measures.

As a result of the mapping and risk-assessment, the group identified several priority areas and concrete measures that were implemented during the course of the year. The plan was aligned and approved by the Work Environment and Co-operative Committee (AMU) and anchored with the Management. The measures are described in more details below.

The measures and results will be further reviewed on a yearly basis in accordance with the ARP requirements.



## Measures and results implemented in 2021

Based on the risk assessment, several measures were selected for 2021 and presented for approval to the Work Environment and Co-operative Committee (AMU):

### 1. Corporate Governance

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The main focus has been on a thorough review of Skuld's internal corporate governance documents across all areas. These documents apply to all Skuld employees globally. Clearly defined procedures and statements focusing on equality, non-harassment and non-discrimination were implemented in our recruitment, reward and recognition, anti-harassment, whistle-blowing instructions, and our Code of Conduct.

### 2. Recruitment

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The focus on diversity and non-discrimination has been implemented in our mandatory recruitment training to all involved in the process, as well as a written statement on diversity in all our published vacancies. We aim for equality in the processes by evaluating all candidates objectively and ensuring at least one of each gender for the first round of interviews in managerial and key positions.





### 3. Salary/promotions/ competence development

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Our reward and recognition processes, including salary review and promotions, has been reviewed and we established the goal of equal salary in all levels (excl. CXO) within 2025. In addition, we will conduct an annual review of promotions statistics to ensure equality within promotions. In 2022, 9% of the employees were promoted, 52% female and 48 % male. Moving forward, we will strengthen the focus on individual development opportunities through the annual people performance dialogue conducted with each employee. We have also clarified that all employees, whether permanent or temporary, are eligible for Skuld training and development initiatives.

### 4. Individual adjustments

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We have focused on certain measures related to individual adjustments in the workplace and a sound work-life balance for all employees. To address those measures Skuld established new routines to conduct an early dialogue with all new employees and address their individual needs and make individual adjustments, where applicable. We also implemented new routines to ensure sufficient IT equipment to meet individual needs. Skuld has taken an important step in improving our parental benefits to include arrangements for surrogacy in Norway.

### 5. Global approach

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As a global organisation, Skuld strives to ensure equal treatment of its employees in all offices. In 2021 HR together with all offices outside of Norway mapped local requirements on diversity, non-discrimination and parental benefits. The Employee Handbook for each office will be updated to reflect this information.

### 6. Work-life balance and flexibility

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After the pandemic Skuld established a new global flexible working regime, where employees can work 3 days from the office and 2 days from home. This has proven to be a successful arrangement, and we will continue our focus on a flexible working regime in 2022.

Skuld is regularly evaluating employees' satisfaction and feedback via employee surveys and initiates measures to address any areas of improvements. A new survey will be done in 2022.



09  
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** 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 9 September 2022.

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

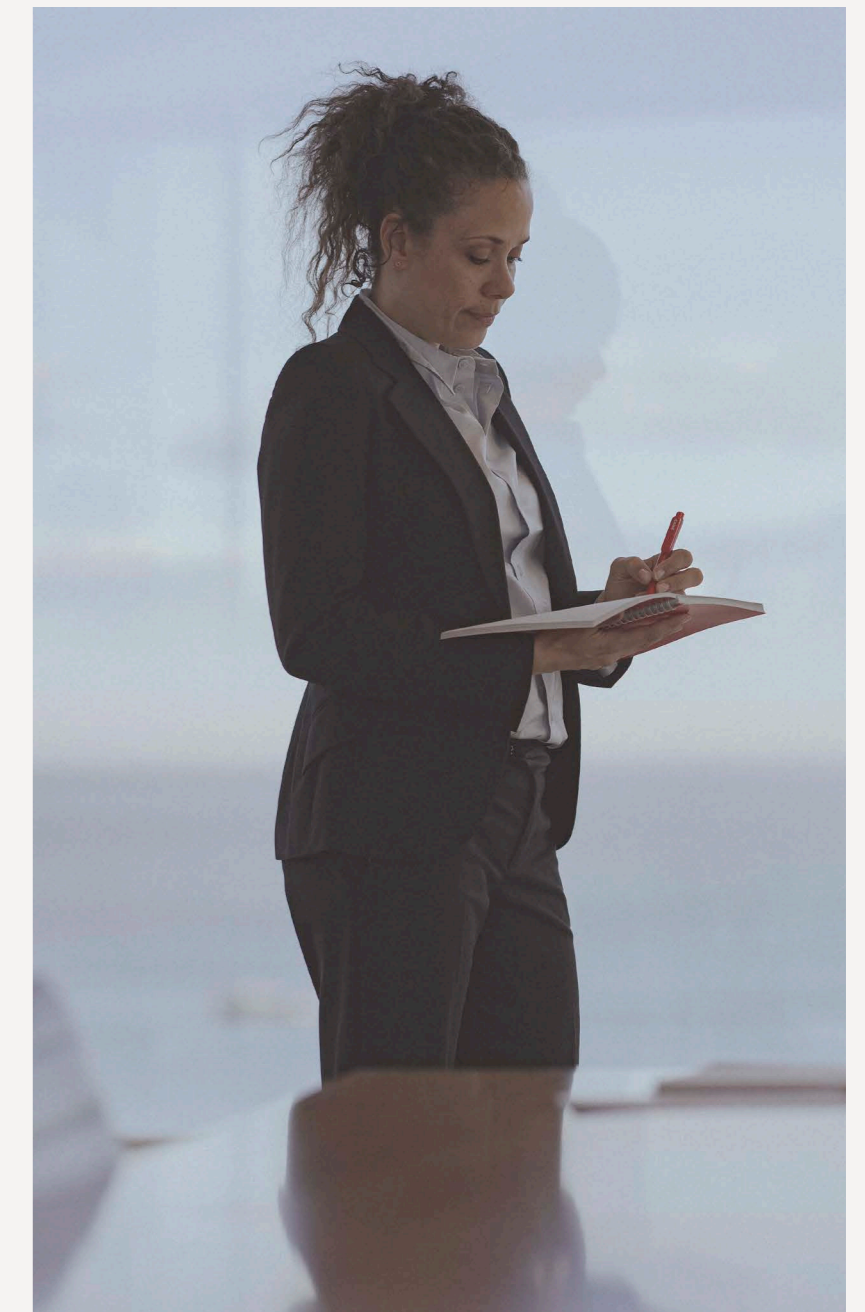
**The Board of Directors**, elected mainly among Skuld members, is responsible for administering the daily business of Skuld, and deals with Skuld's strategy, budget and premiums, International Group of P&I Clubs (IG) issues, reinsurance contracts and more.

**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** 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.





10  
Accounts





## Consolidated income and expenditure account

All figures in USD 1,000

	Note	2021/22	2020/21
<b>TECHNICAL ACCOUNT</b>			
<b>Premiums and calls</b>			
Gross earned premiums and calls	2	419 548	390 839
- Reinsurance premiums		-54 123	-44 736
Premiums and calls for own account	12, 13	365 425	346 103
<b>Claims incurred</b>			
Gross claims paid		299 191	282 643
- Reinsurance recoveries		-63 115	-65 990
Gross change in estimated outstanding claims		244 218	9 945
- Reinsurers' share		-162 642	74 570
Claims incurred for own account	3, 12, 13	317 651	301 168
<b>Operating expenses</b>			
Acquisition costs		59 758	57 656
Administrative expenses	5	18 277	17 409
Net operating expenses	4	78 035	75 065
<b>Balance carried to non-technical account</b>		<b>-30 262</b>	<b>-30 130</b>

All figures in USD 1,000

	Note	2021/22	2020/21
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance from technical account</b>		<b>-30 262</b>	<b>-30 130</b>
<b>Investment income</b>			
Investment income		2 334	10 378
Unrealised gains / losses on investments		-23 854	48 734
Realised gains / losses on investments		21 294	-1 931
Total investment income / expenses		-226	57 180
<b>Investment management expenses</b>			
Investment management expenses		1 099	1 480
<b>Foreign exchange adjustments</b>			
Foreign exchange adjustments		3 411	7 169
<b>Balance before tax on ordinary activities</b>		<b>-28 175</b>	<b>32 740</b>
<b>Taxes</b>			
Taxes		-13 220	6 266
<b>Other income and expenses</b>			
Other income and expenses	1	288	-1 907
Profit / loss		-14 667	24 567
<b>Balance carried to members' funds</b>		<b>-14 667</b>	<b>24 567</b>



# Balance sheet

All figures in USD 1,000

	Note	20.02.2022	20.02.2021
<b>ASSETS</b>			
<b>Financial assets</b>			
Strategic investments		10 447	9 765
Shares	6	226 615	240 751
Bonds	6	619 954	573 644
Other investments	6	32 190	34 628
Financial derivatives		0	4 723
Total financial assets		889 207	863 511
<b>Debtors</b>			
Members and brokers		0	1 321
Reinsurers		7 568	3 716
Other debtors		3 618	2 516
Total debtors		11 186	7 553
<b>Other assets</b>			
Fixed assets	5	6 259	5 870
Cash at bank		190 397	186 933
Total other assets		196 656	192 803
<b>Prepayments and accrued income</b>			
Total prepayments and accrued income		18 999	17 112
<b>Total assets</b>		<b>1 116 048</b>	<b>1 080 979</b>

All figures in USD 1,000

	Note	20.02.2022	20.02.2021
<b>LIABILITIES</b>			
<b>Technical provisions</b>			
Gross provision for outstanding claims	9	917 595	690 573
Reinsurers' share	9	-322 420	-160 636
Provisions for outstanding claims for own account	8	595 176	529 937
Contingency reserve		430 063	459 079
- Members' funds	7	370 701	385 367
- Deferred cessation tax	1, 7	59 362	73 712
Total technical provisions for own account	8, 9	1 025 239	989 017
<b>Provisions for other liabilities</b>			
Pension liabilities		8 919	8 872
Deferred tax		33 022	38 942
Tax payable	7	16 904	13 288
Total provisions for other liabilities		58 845	61 102
<b>Creditors</b>			
Members and brokers		13 589	10 954
Reinsurers		6 606	2 833
Other creditors		9 754	10 529
Total creditors		29 950	24 315
<b>Accruals and deferred income</b>			
Total accruals and deferred income		2 015	6 546
<b>Total liabilities</b>		<b>1 116 048</b>	<b>1 080 979</b>



Paris, 5 May 2022

sign.

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KLAUS KJÆRULFF  
Chairman of the Board

sign.

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MARTIN LARSEN  
Board member

sign.

---

TERJE HJ MICHELSEN  
Board member

sign.

---

BERNT O. BODAL  
Board member

sign.

---

CATHERINE CHEUNG  
Board member

sign.

---

ERIK HÅNELL  
Board member

sign.

---

GERARD PATRONIS  
Board member

sign.

---

TRYGVE SEGLEM  
Board member

sign.

---

UTA URBANIAK-SAGE  
Board member

sign.

---

ANN-MARIE ÅSTRÖM  
Board member

sign.

---

PETER BLØCHER  
Employees representative

sign.

---

DARIA AVDEEVA  
Employees representative

sign.

---

STÅLE HANSEN  
President & CEO



## Note 1

# 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:

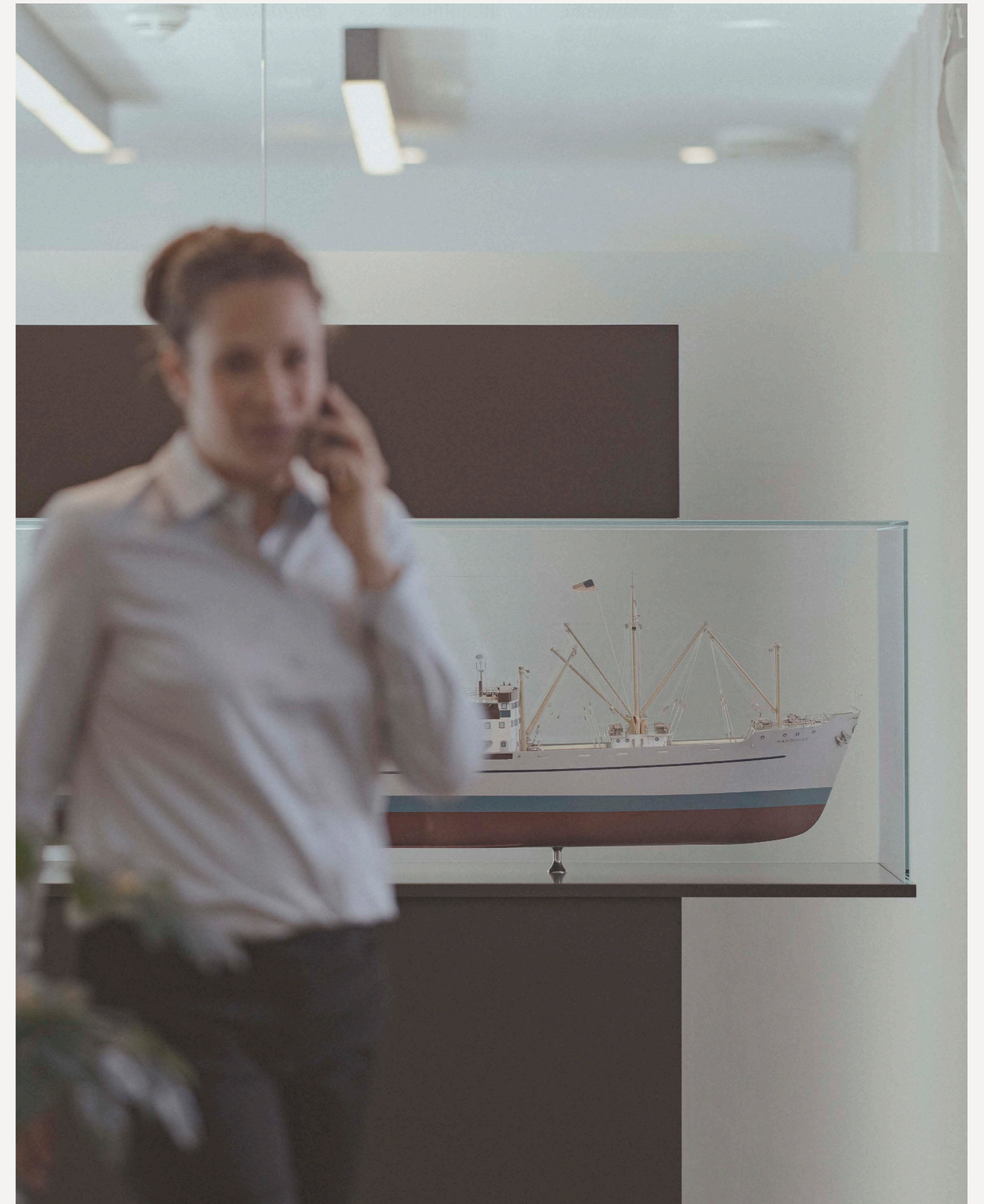
- All premiums for policies commencing during the year.
- The cost of claims incurred and reinsurance for the current year.

- 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 and 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, and Skuld Prosjekt AS. Hydra Insurance Company Ltd, Skuld Holding Ltd, Skuld Investments Ltd and Skuld Re Ltd are fully-owned and controlled by Skuld Mutual Protection and Indemnity Association (Bermuda) Ltd.

In the accounts, shares in subsidiaries, receivables from and payables to subsidiaries, and transactions between the companies within Skuld, 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.

### **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. Skuld and the marine insurance industry have challenged these new regulations and together with Ministry of Finance we are working on separate tax regulations for mutual associations, 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, profit / loss on financial instruments available for sale and remeasurement of deferred pension plan.

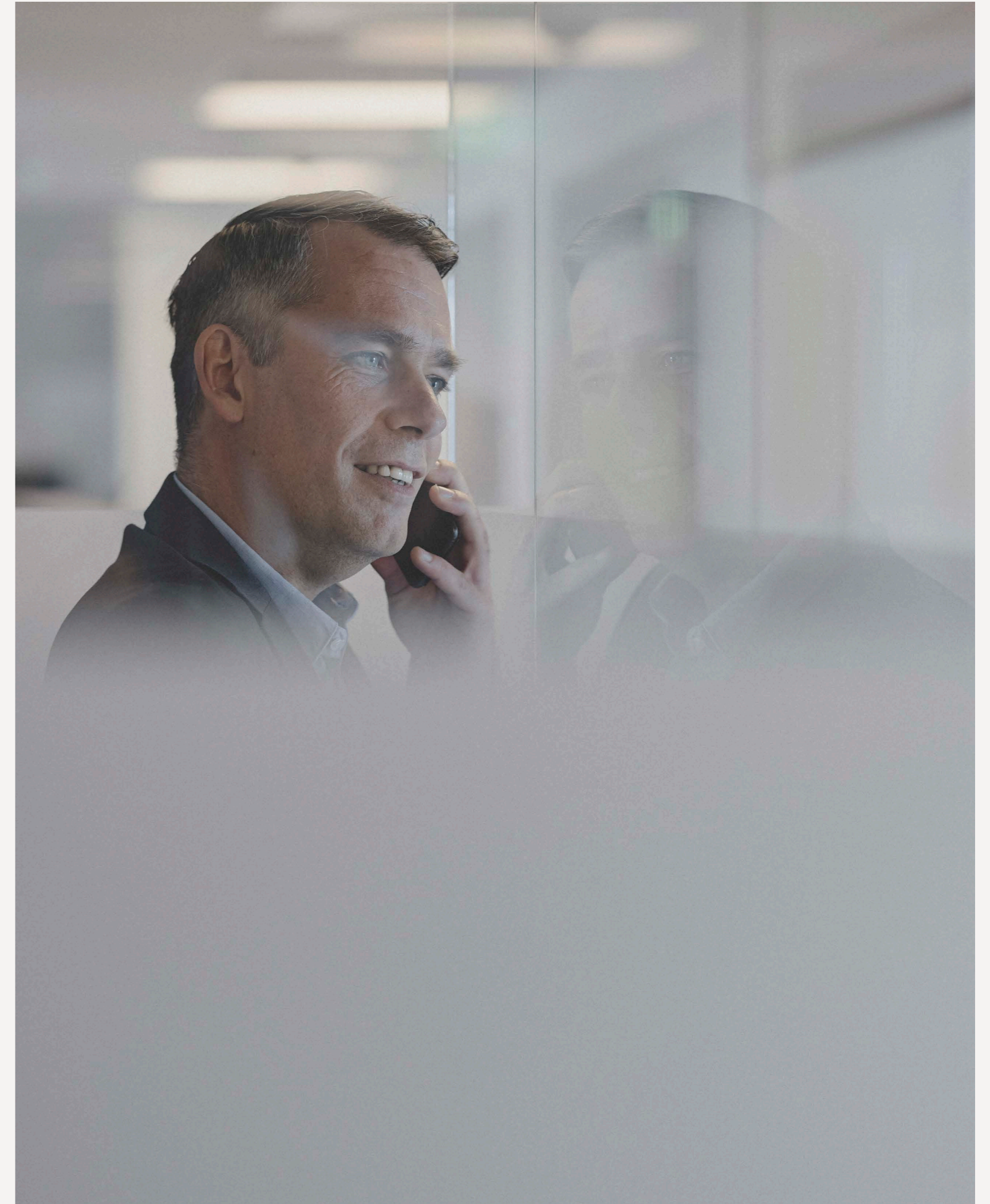


## Note 2

### Gross earned premiums and calls distributed by country

All figures in USD 1,000

Country	Premiums	%
Norway	44 679	10.6%
Nordic countries excl. Norway	26 851	6.4%
Germany	25 020	6.0%
Greece	30 137	7.2%
United Kingdom	19 811	4.7%
Rest of Europe	72 459	17.3%
USA	31 211	7.4%
Far East	102 300	24.4%
Other	67 080	16.0%
<b>Total gross earned premiums and calls</b>	<b>419 548</b>	<b>100.0%</b>





## Note 3

### Net claims incurred

All figures in USD 1,000

	2021/22	2020/21
<b>Gross claims paid</b>		
Own claims	274 146	258 171
Group pooling arrangements	25 044	24 472
<b>Gross claims paid</b>	<b>299 191</b>	<b>282 643</b>
<b>Reinsurance recoveries</b>		
Group pooling arrangements	-33 325	-22 954
Market underwriters	-29 790	-43 035
<b>Reinsurance recoveries</b>	<b>-63 115</b>	<b>-65 990</b>
<b>Net claims paid</b>	<b>236 076</b>	<b>216 653</b>
<b>Change in provision for gross claims</b>		
Provision opening balance	690 573	688 008
Provision closing balance	917 595	690 573
Change in currency valuation at year end	17 195	7 380
<b>Gross change in estimated outstanding claims</b>	<b>244 218</b>	<b>9 945</b>

	2021/22	2020/21
<b>Less movements in provision for reinsurers' share</b>		
Provision opening balance	-160 636	-231 690
Provision closing balance	-322 420	-160 636
Change in currency valuation at year end	-858	3 516
<b>Reinsurers' share</b>	<b>-162 642</b>	<b>74 570</b>
<b>Change in provision for future claims</b>		
Net change in claims provision	81 575	84 515
<b>Claims incurred for own account</b>	<b>317 651</b>	<b>301 168</b>



## Note 4

### Net operating expenses

All figures in USD 1,000

	GROUP		ASSOCIATION	
	2021/22	2020/21	2021/22	2020/21
<b>Administrative expenses</b>	<b>18 277</b>	<b>17 409</b>	<b>18 244</b>	<b>17 379</b>
Commissions	38 302	35 433	32 596	31 320
Allocated underwriting expenses	19 739	20 838	19 704	20 803
Marketing	1 410	905	963	562
Surveys	307	480	304	476
<b>Acquisition costs</b>	<b>59 758</b>	<b>57 656</b>	<b>53 567</b>	<b>53 161</b>
<b>Net operating expenses</b>	<b>78 035</b>	<b>75 065</b>	<b>71 811</b>	<b>70 540</b>

In the P&L, direct claims cost and a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively.

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 2022, a ratio of 12.4% (12.6% at 20 February 2021) 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
<b>Cost</b>	
<b>As at 20 February 2021</b>	<b>18 823</b>
Purchases in the year	2 290
Sales / Scrapping in the year	234
<b>As at 20 February 2022</b>	<b>20 879</b>
<b>Depreciation</b>	
<b>As at 20 February 2021</b>	<b>12 823</b>
Depreciation on sold / scrapped assets	0
Depreciation this year	1 797
<b>As at 20 February 2022</b>	<b>14 620</b>
<b>Net book value</b>	
<b>As at 20 February 2021</b>	<b>5 870</b>
<b>As at 20 February 2022</b>	<b>6 259</b>

## Note 6 Financial investments

All figures in USD 1,000

	20.02.22 Market value	20.02.21 Market value
<b>Shares</b>		
Listed shares and funds	226 615	240 751
<b>Total shares</b>	<b>226 615</b>	<b>240 751</b>
<b>Bonds</b>		
Treasuries	479 618	439 749
Corporate Securities	122 160	86 869
Cash and Money Market	1 720	5 296
Other	16 456	41 730
<b>Total bonds</b>	<b>619 954</b>	<b>573 644</b>
<b>Other investments</b>		
Hedge Funds	14 229	15 587
Infrastructure	11 844	11 174
Private Equity	6 117	7 866
<b>Total other investments</b>	<b>32 190</b>	<b>34 628</b>



## Note 7

### Members' funds and contingency reserve

All figures in USD 1,000

	2021/22	2020/21
Members' funds opening balance	385 367	363 751
Change in minority interest	0	-3 396
Change in earlier years	0	445
Balance carried forward to members' funds	-14 667	24 567
<b>Members' funds closing balance</b>	<b>370 701</b>	<b>385 367</b>
Deferred cessation tax	59 362	73 712
<b>Contingency reserve closing balance</b>	<b>430 063</b>	<b>459 079</b>

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. Skuld and the marine insurance industry have challenged these new regulations and together with Ministry of Finance we are working on separate tax regulations for mutual associations, but until these are approved the tax regulations for other non-life insurers will also apply for the mutual marine associations.

Deferred cessation tax will be payable over a 10-year period starting from financial year 2018/19. The liability is in NOK and will fluctuate with currency.

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

	2021	2020	2019	Closed years	Total
Gross estimated outstanding including IBNR	307 233	134 454	47 834	399 136	888 657
The Association's estimated share of other associations' pool-claims including IBNR	14 129	7 407	1 689	5 714	28 939
<b>Gross provision for outstanding claims</b>	<b>321 361</b>	<b>141 860</b>	<b>49 523</b>	<b>404 851</b>	<b>917 595</b>
<b>Estimated outstanding recoveries including IBNR from:</b>					
Pooling agreements	55 273	0	0	35 662	90 935
Group excess loss	0	0	0	14 651	14 651
Other reinsurers' share	61 432	72 021	-25 736	109 117	216 834
<b>Total estimated outstanding recoveries</b>	<b>116 705</b>	<b>72 021</b>	<b>-25 736</b>	<b>159 430</b>	<b>322 420</b>
Provisions for outstanding claims for own account	204 657	69 839	75 259	245 421	595 176
Members' funds	-51 901	27 113	49 118	346 370	370 701
Deferred cessation tax	0	0	0	59 362	59 362
<b>Technical provisions for own account</b>	<b>156 152</b>	<b>96 116</b>	<b>122 639</b>	<b>650 331</b>	<b>1 025 239</b>



## Note 9

### Technical provisions for own account

All figures in USD 1,000

	20.02.22	20.02.21
<b>P&amp;I</b>		
Gross estimated outstanding including IBNR	766 785	572 484
The Association's estimated share of other associations' pool-claims including IBNR	28 939	31 884
<b>Gross provision for outstanding claims</b>	<b>795 724</b>	<b>604 369</b>
Estimated outstanding recoveries from:		
Pooling agreements	-90 935	-31 220
Other reinsurers' share	-230 675	-129 415
<b>Total estimated outstanding recoveries</b>	<b>-321 609</b>	<b>-160 636</b>
<b>Provision for outstanding claims for own account P&amp;I</b>	<b>474 114</b>	<b>443 733</b>
<b>Physical damage, FD&amp;D and other</b>		
Gross estimated outstanding including IBNR	121 871	86 204
Gross provision for outstanding claims	121 871	86 204

All figures in USD 1,000

	20.02.22	20.02.21
Estimated outstanding recoveries from:		
Other reinsurers' share	-810	0
<b>Total estimated outstanding recoveries</b>	<b>-810</b>	<b>0</b>
<b>Provision for outstanding claims for own account Physical damage, FD&amp;D and other</b>	<b>121 061</b>	<b>86 204</b>
<b>Total P&amp;I, Physical damage, FD&amp;D and other</b>		
Provision for outstanding claims for own account	595 176	529 937
Members' funds	370 701	385 367
Deferred cessation tax	59 362	73 712
<b>Technical provision for own account</b>	<b>1 025 239</b>	<b>989 017</b>



## Note 10 Off-balance sheet items

### Guarantees

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 829.9 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, prolonged with 5 years.





## 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.

Skuld measures its risk through monthly calculations of solvency capital requirements with the standard formula.

### **Underwriting risk**

The main documents for managing underwriting risk are Skuld's underwriting policy, describing management of underwriting risk, and more detailed underwriting instructions. In order to mitigate underwriting risk reinsurance is applied to ensure that underwriting risk is kept within risk appetite. Skuld's reinsurance policy describes the management of the reinsurance process.

### **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 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.

### **Climate risk**

Continuous growth in CO2 emissions will increase global temperatures, leading to more extreme weather and manifestations of physical risk. Given that no effective policy responses are taken, it is expected that physical risk will crystallise and start significantly impacting Skuld's portfolio from 2050 and onwards.



Authorities around the world are considering and implementing policy responses that will affect the development of emissions growth and enable the transition to a carbon neutral society. The impact of this transitional risk depends on the manner policy responses are implemented; the longer this is delayed, the more disruptive the implementation of policy responses will be. Transitional risk will affect Skuld directly and indirectly, with effects on the global economy and the shipping industry feeding through to Skuld as an insurance provider.

### War in Ukraine

The risk picture for Skuld after 20 February 2022 is characterised by the war in Ukraine. The development causes grave concern, and the board has identified a number of risks, outlined below. Mitigating actions are in place for each of these risks, and the board is confident that they are handled appropriately.

The war impacts the global economy and stability and exacerbates the recent

volatility in stock markets. Going forward, growth might be lower than expected. This will affect Skuld's portfolio and investment income.

The European Union, United States, UK and other jurisdiction have adopted sanctions as a central part of their response to the events in Ukraine. The sanctions are extensive and new sanctions are introduced continuously across jurisdictions with immediate effect. This makes it challenging to comply with the requirements, both for Skuld and the members.

As a number of Russian banks and financial institutions are subject to sanctions, there will be challenges receiving payments from, or making payments to Russia.

Skuld's reinsurers are currently assessing the situation, with specific focus on war risk clauses. So far, no market approach has been applied, but this is expected to change.



## Note 12

### Policy year statement by class as at 20.02.22

All figures in USD 1,000

	2021	2020	2019
<b>P&amp;I</b>			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2020	0	0	250 130
year to 20 February 2021	0	259 138	18 046
current accounting year	266 119	19 517	760
	266 119	278 655	268 936
Supplementary calls levied in:			
years to 20 February 2021	0	0	0
current accounting year	0	0	0
	0	0	0
Total calls and premiums	266 119	278 655	268 936
Reinsurance premiums	-46 376	-39 871	-39 000
	219 743	238 784	229 935
Claims incurred net of reinsurance recoveries	-219 810	-234 981	-181 627
Net underwriting profit	-67	3 803	48 309
Net operating expenses	-48 787	-52 793	-59 623
Net investment income	1 861	58 606	43 389
Taxes	12 234	-3 999	4 685
<b>Total P&amp;I</b>	<b>-34 758</b>	<b>5 617</b>	<b>36 759</b>

All figures in USD 1,000

	2021	2020	2019
<b>Physical damage, FD&amp;D and other</b>			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2020	0	0	78 893
year to 20 February 2021	0	64 074	42 475
current accounting year	70 858	59 460	2 748
	70 858	123 535	124 116
Supplementary calls levied in:			
years to 20 February 2021	0	0	0
current accounting year	0	0	0
	0	0	0
Total calls and premiums	70 858	123 535	124 116
Reinsurance premiums	-7 334	-3 599	-4 131
	63 524	119 936	119 986
Claims incurred net of reinsurance recoveries	-65 242	-74 915	-90 793
Net underwriting profit	-1 718	45 021	29 193
Net operating expenses	-16 917	-24 589	-28 071
Net investment income	507	3 348	10 923
Taxes	986	-2 283	314
<b>Total Physical damage, FD&amp;D and other</b>	<b>-17 142</b>	<b>21 496</b>	<b>12 359</b>
<b>Total P&amp;I, Physical damage, FD&amp;D and other</b>	<b>-51 901</b>	<b>27 113</b>	<b>49 118</b>

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. A part of the fixed premiums for the policy year 2021 will be earned in 2022. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.





## Note 13

### Policy year statement as at 20.02.22 - Mutual and fixed business

All figures in USD 1,000

	2021	2020	2019
<b>Mutual</b>			
Total calls and premiums	196 730	191 352	181 081
Reinsurance premiums	-25 668	-24 741	-24 872
	171 062	166 611	156 209
Claims incurred net of reinsurance recoveries	-183 909	-182 326	-153 803
Net underwriting profit	-12 846	-15 715	2 406
Net operating expenses	-35 845	-38 227	-42 293
Net investment income	3 964	35 557	29 955
Taxes	8 003	1 469	3 141
<b>Total Mutual</b>	<b>-36 725</b>	<b>-16 917</b>	<b>-6 790</b>

All figures in USD 1,000

	2021	2020	2019
<b>Fixed</b>			
Total calls and premiums	140 247	210 838	211 971
Reinsurance premiums	-28 043	-18 729	-18 259
	112 204	192 109	193 712
Claims incurred net of reinsurance recoveries	-101 143	-127 570	-118 617
Net underwriting profit	11 061	64 540	75 095
Net operating expenses	-29 859	-39 155	-45 401
Net investment income	-1 596	26 397	24 357
Taxes	5 217	-7 752	1 857
<b>Total Fixed</b>	<b>-15 176</b>	<b>44 030</b>	<b>55 909</b>
<b>Total Mutual and Fixed business</b>	<b>-51 901</b>	<b>27 113</b>	<b>49 118</b>

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. A part of the fixed premiums for the policy year 2021 will be earned in 2022. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.



Rest assured.