



SKULD RENEWAL CIRCULAR 2013



This circular provides you with an operational update, financial overview and general information about the requirements and risk evaluation for the upcoming renewal.

The information is of general nature and applicable to all covers provided by Skuld P&I including policies renewed throughout the policy year 2014/15. When the reinsurance costs and other P&I premium allocations for our mutual members are known, Skuld will issue a separate circular outlining the final allocations.

OPERATIONAL YEAR 2013

- Launch of Members' Loyalty Bonus programme
- Skuld Yacht dedicated exclusively to the P&I needs of superyacht owners
- Fixed P&I cover with its own terms and conditions
- Skuld Claims Services supporting claims leads for Skuld 1897
- Q2 bottom-line result of USD12 million, increasing contingency reserves to a record high of USD320 million (half year 2012: USD2 million and USD 293 million respectively)
- Positive bottom-line result is driven by strong growth in non-mutual segment (e.g. Charterers, Offshore and Skuld 1897) - achieving surplus in mutual business is challenging but necessary
- Affirmed 'A' rating (stable outlook)
- Clear indications of increasing pool claims and reinsurance costs
- Investment return continues to be under pressure

MEMBERS' LOYALTY BONUS

Skuld's strong performance especially in the commercial part of its operations has led to the launch of a new programme to reward mutual members. The programme, approved by Skuld's board of directors in August 2013, will see mutual members receive a 'cash back' when Skuld's investments in Asta and Skuld 1897 move into profit following their start-up phases. Initially the Members' Loyalty Bonus may be given in the form of a credit note - the amount of the bonus will, therefore, be transparent and separate from the insurance premiums.

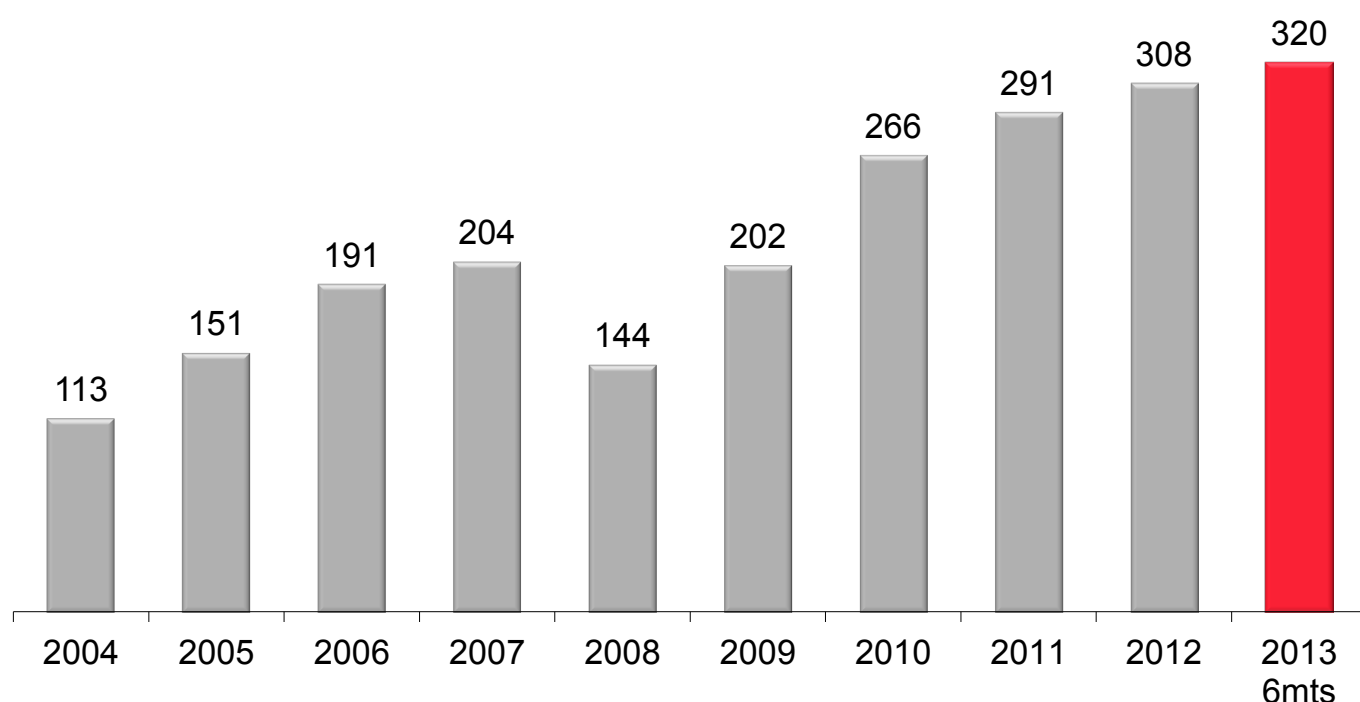
'A' RATING

Standard & Poor's affirmed Skuld's 'A' rating (stable outlook) in July 2013, stating the following:

- "The ratings reflect our view of the company's strong business risk profile and moderately strong financial risk profile, built on a strong competitive position and moderately strong capital and earnings."
- "The company is the sector leader in terms of operating performance and its explicit aim is to keep capital adequacy above the 'AA' level."

Skuld President & CEO, Douglas Jacobsohn, said: "The first half of 2013 clearly demonstrates that the investments Skuld has made in diversification are beginning to bear positive results. Therefore the Members' Loyalty Bonus Programme has been very well received among our members. We have ambitious growth plans for all parts of the business, but we never compromise our financial strength. The programme is an innovative and transparent way to demonstrate our dedication to both our members and profitable growth."

CONTINGENCY RESERVES



PREMIUM STRUCTURE

1. INDIVIDUAL RISK ASSESSMENT

Recognising the fact that all members and clients of Skuld are unique, Skuld makes individual risk assessments. This is considered to be an appropriate and fair evaluation of the performance and exposure of each member and client. Skuld will, however, adjust premiums for changes in both the individual and overall "global" risk factors.

2. BASIC RISK PREMIUM

Frequency claims or attritional claims. Your Basic Risk Premium is adjusted depending on your statistical records taking into account claim costs, types of claim, claims trends as well as claims frequency. We also take into consideration type and age of vessels and fleet composition/development. Your overall risk exposure is also subject to the continuous claims inflation due to increased levels of compensations awarded to claimants and increased legal and expert costs in defending your claims. The impact of new global conventions and increased limits under existing conventions is also of importance. To maintain a status quo on the exposure, premiums have to be adjusted accordingly independent of statistical records. Certain risks and trades associated with the member may warrant a higher adjustment.

3. PREMIUM FOR "LARGER" CLAIMS

Claims occurring less frequently and considered as "large" claims will be balanced by the membership of the club. Each member has to contribute in sharing large claims below the retention limit to the Pool. The overall claims numbers for the current year is on budget. However, we are experiencing an increase in larger claims and we expect this development to continue. Your premium will be adjusted to ensure an adequate mutual level of contribution towards these larger claims.

4. POOL CLAIMS

Every Skuld member contributes to the Pool Claims system. Skuld has a smaller share of the Pool compared with its peers due to favourable loss records with the Pool. Since the Pool (currently 61 MUSD excess 9 MUSD) in practice is a pooling system for all the members in the P&I clubs in the International Group, the cost of sharing these claims will be borne by all members. Skuld's role is to collect from members their share of the pool contribution which is done through the premium levied.

During the last years, we have seen an increase in both frequency and cost of claims. The frequency is slightly less, but the cost of the individual pool claims is on the rise.

5. GROUP'S EXCESS OF LOSS REINSURANCE

The International Group of P&I Clubs will protect the members' Pool by purchasing an excess of loss reinsurance which today (2013) is primarily in excess of 70 MUSD. This is one of the world's largest liability reinsurance covers and the bulk buying through the P&I Club system ensures a very good premium for this package.

The premium for the Group's Excess of Loss reinsurance depends on claims made at the various layers of the reinsurance package and the cost of the available capital in the market. Recent high claims to the reinsurance layers and a general trend in the reinsurance market will result in an increase of the reinsurance premium for the coming policy year. Skuld will renew P&I covers for the coming Policy year in advance of the final cost for the Group's Excess of Loss Reinsurance and adjust premiums when the final figures are available.

SKULD CALL HISTORY

For mutual P&I and mutual FDD:

YEAR	ORIGINAL SUPPLEMENTARY CALL	FINAL CALL	GENERAL INCREASE	RELEASE CALL
2010/11	0%	0%	5%	Closed
2011/12	0%	(est 0%)	Individual adjustments	0%
2012/13	0%	(est 0%)		3%
2013/14	0%	(est 0%)		6%
2014/15*	0%	(est 0%)		15%

* As decided by the Skuld Board of Directors 6 November 2013

NEW PRODUCTS AND SERVICES

SKULD FIXED P&I

Fixed P&I (Protection and Indemnity) insurance is a new product from Skuld P&I to offer a fixed premium facility with the full service of Skuld P&I. Since the introduction of fixed P&I, Skuld can now also provide a fixed premium cover with its own terms & conditions. This cover is suitable for shipowners not interested in the mutual solution; i.e., mainly for shipowners with limited exposure, in local trade or with smaller vessels.

SKULD YACHTS

Skuld Yachts is a special fixed cover specially designed for super yachts. Backed by Skuld P&I and the world-wide recognised service, the Skuld Yacht with its own special terms & conditions has provided a new haven for the exclusive owners who requires high quality and modern insurance solution.

SKULD CLAIMS SERVICES

Skuld Claims Services is specially designed for handling hull claims when Skuld 1897, our syndicate at Lloyd's, provides hull insurance on a claims lead basis. The team is set up within Skuld P&I with staff specialising in hull insurance.

ABOUT SKULD

Skuld was established in 1897 as a P&I club to cater the needs of Scandinavian shipowners. Since then, the company has evolved into a diversified marine insurer with a global footprint and a sector-leader in terms of operating performance.

We combine Scandinavian heritage with the talents of our people around the world to deliver tailored insurance covers to match your needs and unmatched service to exceed your expectations. A name synonymous with financial strength and stability, Skuld has grown from a Scandinavian P&I club to a global marine insurer. With headquarters in Oslo and a world-wide office network, we provide our members and clients with unmatched service 24 hours a day.

Skuld offers marine insurance covers under three business brands: Skuld P&I, Skuld 1897 and Skuld Offshore . Through these brands, we cater the insurance needs of shipowners, the offshore and energy sector, charterers and traders, ports and terminals, cargo and superyacht community.

Yours faithfully
Skuld
Douglas Jacobsohn
President & CEO