



# Solvency and Financial Condition Report

For the period 21 February 2024 – 20 February 2025



**SKULD**





## EXECUTIVE SUMMARY

This report covers business and performance, system of governance, risk profile, valuation for solvency purposes and capital management for both Assuranceforeningen Skuld (Gjensidig) (the Norwegian Association) and Skuld Group.

Skuld was established in Oslo in 1897 as a P&I club for Scandinavian shipowners. Since then, the Association has grown into a diversified marine insurer and caters to the needs of shipowners, the offshore and energy sector, charterers and traders, and the superyacht community worldwide.

Skuld offers bespoke P&I and physical damage covers. The P&I covers are mutual P&I insurance, commercial fixed P&I, yacht liability cover, charterers liability and more. Physical damage covers are hull and machinery, energy, war, and loss of hire. P&I is the largest line of business and protects the members against third-party losses and liabilities.

The financial result as per 20 February 2025 shows a positive bottom line of USD 20.7 million for Skuld Group and a positive bottom line of USD 17.4 million for the Norwegian Association.

The technical account is negative USD 71.0 million on Group level and negative USD 63.6 million for the Norwegian Association.

The financial year 2024 saw a return to a normalized claims environment, which was accelerated in the second half of the year. The final month saw an unusual high number of claims being reported, especially within P&I, making 2024 a historically challenging year. This adverse development was driven mainly by a surge in reported claims in the band from USD 0.5 million to USD 2 million.

In addition, the claims reported through the International Group (IG) pooling system increased and more than doubled the pool cost year-on-year. In total, the IG pool cost affected the total claims cost with USD 55 million, an increase of USD 31 million from 2023/24. Skuld reported two new pool claims this year.

Investment income was USD 91.1 million for Skuld Group and USD 79.9 million for the Norwegian Association for 2024/25. Equities and fixed income contributed positively to investment income, while the currency effect was negative. Skuld's investments are allocated across several asset classes, regions, and currencies. The investment portfolio's performance has been in line with the main indices it follows.

Skuld has a strong capital adequacy well above the capital requirements set by the Solvency II regulation. At the 2024/25 financial year end, Skuld Group's solvency ratio was 189.6 %, while the Norwegian Association's solvency ratio was 202.9 %. Skuld has a clean A (stable outlook) rating by Standard & Poor's.

Skuld has a strategic focus on growth and financial stability through diversification. Member's capital is used to generate profit from commercial products, thereby supporting mutuality and mitigating volatility on operating performance.



Skuld's overall system of governance is designed and aligned appropriately and proportionally to adequately support Skuld's business model and its underlying strategy and risk profile. Procedures are in place to ensure that Skuld has sufficient eligible capital to fulfil its operational and strategic goals and to be able to sustain an adverse outcome without ending up in a financially distressed situation.

In line with Skuld's core business of marine insurance, underwriting risk is Skuld's main risk. Skuld is further materially exposed to financial risk, i.e., market risk and liquidity risk, due to the investment of premiums received from members and clients. The entire risk universe is constantly being monitored, allowing management and the Board to understand Skuld's risk profile and to assess the risk appetite for all quantifiable risks. Quantification of risk in a regulatory context is based on the standard formula as stipulated in the Solvency II framework.

Skuld carried out an Own risk and solvency assessment (ORSA) in spring 2025. Based on the ORSA, the Board assessed the solvency position to be satisfactory with regard to regulatory requirements and Skuld's strategy.



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## A Business

### A.1 Business and performance

#### Legal form

Assuranceforeningen Skuld (Gjensidig) (the Norwegian Association) is a mutual insurance association, where the members of the association are also the owners through their membership as insured shipowners. There are no shareholders in the undertaking. No member holds more than a 10 % vote in the General Meeting or exercises a significant influence over the management of the undertaking. The Norwegian Association is a participating undertaking with dominant influence in Skuld Mutual P&I Association (Bermuda Ltd) (the Bermuda Association), which according to Solvency II makes the Norwegian Association and its subsidiaries an insurance group (Skuld Group). A list of subsidiaries taken into account when calculating solvency can be found in the Qualitative Reporting Template (QRT) S.32.01 in the Appendix to this report.

#### Material lines of business and geographical areas

Skuld offers mutual and fixed premium marine insurance globally. Protection & Indemnity (P&I) is Skuld's largest line of business. The P&I cover protects the members against third party losses and liabilities. In recent years Skuld has expanded its offering beyond traditional P&I to include marine and energy insurance underwritten through Skuld Hull, integrating business written by former Skuld Marine Agency (acquired in 2016) and hull and machinery and offshore energy business. No significant events occurred during the last year that have had a material impact on the undertaking.

#### Further information

Details of supervisory authorities and external auditors are given in the table below.

Name	Function	Entity
<b>Norwegian Financial Supervisory Authority (Finanstilsynet)</b> Revierstredet 3, 0151 Oslo Phone: +47 22 93 98 00	Regulator	Assuranceforeningen Skuld (Gjensidig)
<b>Bermuda Monetary Authority</b> BMA House, 43 Victoria Street, Hamilton, HM12 Phone: +441 295 5278	Regulator	Skuld Mutual P&I Association (Bermuda Ltd)
<b>Bank of England, Prudential Regulation Authority</b> 20 Moorgate, London, EC2R 6DA Phone: +44 (0) 20 3461 4444	Regulator	UK Branch
<b>Monetary Authority of Singapore (MAS)</b> 10 Shenton Way, MAS Building, Singapore 079117 Phone: +65 6225 5577	Regulator	Singapore Branch

Name	Function	Entity
<b>Insurance Authority</b> 41 Heung Yip Rd, Wong Chuk Hang, Hongkong Phone: +852 3899 9983	Regulator	Hong Kong Branch
<b>Financial Services Agency</b> 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo, Phone: +81 33 5066 000	Regulator	Japan Branch
<b>PWC</b> Dronning Eufemias gate 71, 0191 Oslo Phone: +47 952 60 000	External Auditor	Assuranceforeningen Skuld (Gjensidig)
<b>PWC</b> 16 Church Street, Hamilton HM 11, Bermuda Phone: +1 1441 295 2000	External Auditor	Skuld Mutual P&I Association (Bermuda Ltd)
<b>PWC</b> 7 Straits View, Marina One, Singapore 018936 Phone: +65 6236 3388	External Auditor	Singapore Branch
<b>PWC</b> 22/F, Prince's Building, Central, Hong Kong Phone: +852 2289 8888	External Auditor	Hong Kong Branch

## A.2 Underwriting performance

Underwriting is carried out from the main office in Oslo, and the branch offices in London, Singapore, Hong Kong and in Tokyo.

The consolidated gross earned premiums and calls have increased and ended at USD 577.5 million (USD 516.6 million for 2023/24) for Skuld Group and USD 574.8 million (USD 514.0 million for 2023/24) for the Norwegian Association.

Driven by a strong P&I renewal with new tonnage entering Skuld during the year, significant premium growth is seen in both mutual and commercial P&I, while physical damage has experienced a more modest growth due to the soft cycle for this financial year.

The consolidated net claims incurred ended at USD 437.2 million, an increase from USD 278.3 million in 2023/24. Corresponding figures for Norwegian Association are USD 237.9 million and USD 171.0 million. Gross incurred claims were USD 532.5 million, with corresponding reinsurance recoveries of USD 95.3 million (USD 279.8 million and USD 1.6 million last year) for Skuld Group. Corresponding figures for Norwegian Association are USD 488.8 million and USD 250.8 million (USD 272.2 million and USD 101.2 million last year).

The financial year 2024 saw a return to a normalized claims environment, which was accelerated in the second half of the year. The final month saw an unusual high number of claims being reported, especially within P&I, making 2024 a historically challenging year. This adverse development was driven mainly by a surge in reported claims in the band from USD 0.5 million to USD 2 million.

In addition, the claims reported through the International Group (IG) pooling system increased and more than doubled the pool cost year-on-year. In total, the IG pool cost affected the total claims cost with USD 55 million, an increase of USD 31 million from 2023/24. Skuld reported two new pool claims this year.

Combined ratio for Owner P&I Mutual was 122 % in 2024/25, up from 76 % the previous year, and compared to a target of between 100 % and 105 %. For commercial business combined ratio was 108 % in 2024/25, up from 96 % the previous year, and compared to a target of 90 % or below.

At year-end 20 February 2025, the technical account is negative USD 71.0 million on Group level and negative USD 63.6 million, for the Norwegian Association. The table below shows a summary of the technical account from statutory accounts on an IFRS basis.

Skuld Group		USD million	Norwegian Association	
2024/25	2023/24		2024/25	2023/24
577.5	516.6	Earned premium	574.8	514.0
- 110.2	- 91.6	Reinsurance premium	- 317.6	- 272.4
- 437.2	- 278.3	Net claims incurred	- 237.9	- 171.0
- 101.2	- 96.6	Net operating expenses	- 82.9	- 80.4
<b>-71.0</b>	<b>50.1</b>	<b>Technical result</b>	<b>- 63.6</b>	<b>- 9.7</b>

Gross earned premium and calls by originating geographical area are shown in the table below.

USD million	Gross earned premium & calls	%
Norway	61.0	10.6 %
European Economic Area (EEA)	158.9	27.5 %
Other areas	357.6	61.9 %
<b>Total</b>	<b>577.5</b>	<b>100.0 %</b>

Skuld has several reinsurance arrangements in place, including the IG Pooling agreement, that help protect the technical result in case of very large claims and/or casualties.

### A.3 Investment performance

Investment income for Skuld Group was USD 91.1 million for 2024/25, with an investment portfolio return of 7.3 %. Corresponding figures for Assuranceforeningen Skuld are USD 79.9 million and 8.3 %. This includes fair value changes through other comprehensive income (OCI). Equities and fixed income both contributed positively to investment income, while the currency effect was negative.

Skuld's investments are allocated across several asset classes, regions, and currencies. The performance of the investment portfolio has been in line with the main indices it follows. A substantial part of the portfolio uses sovereign debt to match liabilities in terms of duration and currency.

Most of the positive performance-contribution came from the global equity exposure and the continued investor appetite for US large tech and AI-related capital expenditure. Nvidia's market capitalisation nearly doubled during the year, surpassed other giants at peak and was only challenged towards the end of the year when the startup DeepSeek claimed to be able to provide AI-modelling without the need for large data centres.

Fixed income also contributed positively as mid-term yields came down and US cash yields averaged 5 %. The strong labour market in the US made the Fed postpone interest rate decreases until the fall. Inflation came under control, recession-fear faded, and the long-term growth outlook improved. Although yield volatility remained very high, as in the previous year, the US yield curve eventually normalised. The US dollar also fluctuated but appreciated over the 12-month period. It contributed negatively to portfolio performance.

The run-up towards the US election and inauguration of Trump as President has driven headlines and caused sudden market reactions. The new administration has so far disrupted World order by challenging conventional macro-economic implications, stretching geopolitical ties and reversed sustainable initiatives. Whether the goals of the new administration can be reached with the kind of measures that are being tested remains to be experienced, but uncertainty and instability will likely persist in global financial markets and economies.

### Skuld Group

Skuld Group's gross investment income contribution, by asset class, including foreign exchange adjustments but before deducting investment expenses, were as follows:

- Equity shares 50.4 (36.6)
- Bonds 27.5 (28.7)
- Other investments 14.4 (5.0)

A large part of Skuld Group's investment expenses is not recognised within specific asset classes but across. The pro-rata shares of Investment expenses not directly deducted from market values were as follows:

- Equity shares 0.1 (0.1)
- Bonds 0.2 (0.2)
- Other investments 0.04 (0.02)

The Skuld Group's gains and losses recognised directly in equity, gross of pro-rated share of fx-adjustment and investment expenses, amounted to USD 0 million (0).

The Skuld Group had no direct investments in securitised products in 2024/25, nor in 2023/24.

### Norwegian Association

The Norwegian Association's gross investment income contribution, by asset class, including foreign exchange adjustments but before deducting investment expenses, were as follows:

- Equity shares 50.4 (36.0)





- Bonds 16.6 (21.2)
- Other investments 14.1 (3.9)

A large part of the Norwegian Association's investment expenses is not recognised within specific asset classes but across. The pro-rata shares of Investment expenses not directly deducted from market values were as follows:

- Equity shares 0.1 (0.1)
- Bonds 0.2 (0.2)
- Other investments 0.03 (0.03)

The Norwegian Association's gains and losses recognised directly in equity, gross of pro-rated share of fx-adjustment and investment expenses, amounted to USD 0 million (0).

The Norwegian Association had no direct investments in securitised products in 2024/25, nor in 2023/24.

## A.4 Performance on other activities

All material activities have been addressed in the previous sections.

## A.5 Any other information

All material information regarding the business and performance has been addressed in the previous sections.

## B System of governance

### B.1 General information on the system of governance

Skuld has a tradition of high governing standards. Skuld's statutes set out the structure and roles of the governing bodies, how they are elected and their mandates.

Skuld's more detailed "Corporate Guidelines" cover the responsibilities of the Board of Directors, its Chair and the President and CEO. The purpose is independence and control in governing Skuld, while at the same time ensuring equal terms for equal members.

Skuld's Code of Conduct describes ethical commitments and requirements and sets expectations for personal conduct and business practise based on Skuld's culture and core values. It highlights the principles that guide our business conduct and together with other external and internal regulations and requirements, it applies to all directors, leaders, employees and others who perform services on behalf of Skuld.

#### The General Meeting

The General Meeting is Skuld's highest authority. All members have a right to attend, the votes of members entitled to vote are calculated on the basis of the member's total gross tonnage entered and estimated total calls.

#### The Committee

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

#### The Board of Directors

The Board of Directors, elected mainly among Skuld members, deals with Skuld's strategy plan, budget and premiums, changes to statutes or rules, International Group Agreement (IGA) issues, reinsurance contracts and internal control procedures.

The Board has established an Audit and Sustainability Committee to support the Board in overseeing

- the integrity of the company's financial and sustainability statements and the company's accounting, financial and sustainability reporting processes and financial and sustainability statement audits,
- the registered public accounting firm's (independent auditor's) qualifications and independence,
- the performance of the company's independent auditor,

- the company's systems of disclosure controls and procedures, internal controls over financial and sustainability reporting, and compliance with ethical standards adopted by the company.

A Risk and Compliance Committee has been established by the Board to support the Board in overseeing the effectiveness of Skuld's risk, capital and solvency management frameworks in order to support the strategic objectives, support and inform business plans, ensure that current and future risk are identified, assessed and monitored in line with risk appetite and ensure that adequate capital is maintained against the risks associated with business activities. In addition, the Risk and Compliance Committee oversees the company's compliance with legal and regulatory requirements.

The Guidelines for the Board of Directors focus on the responsibility for information related to board matters. Skuld aims at open and transparent communication with members, employees and other stakeholders.

### **The President and CEO**

The President and CEO is responsible for the day-to-day management of Skuld and communicates with the Board of Directors on matters of importance to Skuld. The President & CEO shall ensure Skuld's compliance with all applicable legislation and adherence to the code of conduct of the company, i.e. "Ethical Guidelines".

No material changes in the governance system have taken place over the reporting period.

### **Remuneration policy**

Corporate guidelines for remunerations in Skuld apply to remunerations for all employees. The guidelines determine that total remunerations shall be given based on an overall assessment of Skuld's results as well as the unit's and each employee's contribution.

Remuneration shall be designed in such a way that it does not contribute to cause Skuld unwanted risk. The remuneration shall be competitive, but at the same time cost-effective for Skuld. The guidelines also determine that monetary remuneration shall consist of a basic salary as well as a variable portion where appropriate. The basic salary shall be remuneration for the responsibility, demands and complexity associated with the position, while variable salary shall encourage additional performance and desired behaviour. The scheme is designed in accordance with Skuld's Reward and Recognition policy and general guidelines adopted by the Board's Remuneration Committee. The President and CEO has the overall responsibility for Skuld's scheme in accordance with the prevailing guidelines. The corporate guidelines for variable remuneration shall ensure that Skuld's schemes prevent excessive risk-taking as well as achieve and maintain an adequate and robust solvency ratio and long-term profitability. The

scheme shall support Skuld's strategy and interest and ensure compliance with Skuld defined risk appetite.

For employees subject to regulations on remuneration, a minimum of 50 per cent of the accrued variable remuneration is divided into 3 parts with a holding period (deferred and conditional) with 1/3 each year over three years. The deferred and conditional payment will follow the provisions of the remuneration regulation.

The remuneration policy also ensures that the variable part of remuneration of second line roles is independent from the performance of operational units. Variable remuneration for these functions will be based on the individual employee's performance with regard to achievement of objectives, the quality of the relevant control function's reporting and an assessment of how the employee lives up to Skuld's values.

### Pension scheme

Skuld operates various pension schemes in compliance with local laws and regulations in each country in which the Skuld operates. A majority of employees have a hybrid pension scheme. Defined benefit and defined contribution schemes are also in use. Members of the Executive Management have a hybrid pension scheme, in addition to non-funded obligations which includes early retirement pensions and pensions for salaries exceeding 12G<sup>1</sup>. Regarding the hybrid pension scheme, Skuld has a commitment to pay a yearly contribution for each employee in the accumulation period, in addition to a cost for future administration. Skuld has no obligation when the employee becomes a pensioner or chooses to leave Skuld. In the member's payment period, the life insurance company obtains the obligation to pay the members their yearly pension.

### Material transactions

There were no material transactions during the reporting period with persons who exercise a significant influence on Skuld, and with members of the administrative, management or supervisory body.

## B.2 Fit and proper requirements

The following persons should be evaluated and approved as fit and proper in accordance with the current Fit and Proper Policy:

- a. Members of the Board of Directors;
- b. President and CEO;
- c. Members of the Executive Management;

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<sup>1</sup> G is a base amount used by the Norwegian Labour and Welfare Administration to calculate benefits. It is adjusted each year and per 1 May 2024 1 G corresponded to NOK 124 028



- d. Heads of Branches abroad;
- e. Persons responsible for the following key functions: internal audit, risk management, actuarial function and compliance.

### Policies established to ensure key functions are fit and proper

In order to ensure the level of competence, technical expertise and experience required for the proper management of Skuld, and in order to comply with local and international legislation requirements established for the management and key functions of Skuld, the persons identified in the key functions will be evaluated in accordance with the Skuld's Fit and Proper Policy.

### Description of the evaluation process to ensure key functions are fit and proper

When performing their function, the Nomination Committee, Board of Directors, President and CEO and the Executive Management shall, prior to proposing the candidate for the respective position, obtain and evaluate information in order to satisfy themselves that criteria listed in the Fit and Proper Policy are met. A Fit and Proper Assessment Form shall be used for this purpose. Any findings in writing shall be kept as documented proof of the evaluation.

Recommendations of the Nomination Committee and the decision to hire persons to fill key functions shall be considered as documentation confirming that the respective person satisfies the fit and proper criteria. If a person is changing directly from one of the above-mentioned functions to another, no new assessment is required.

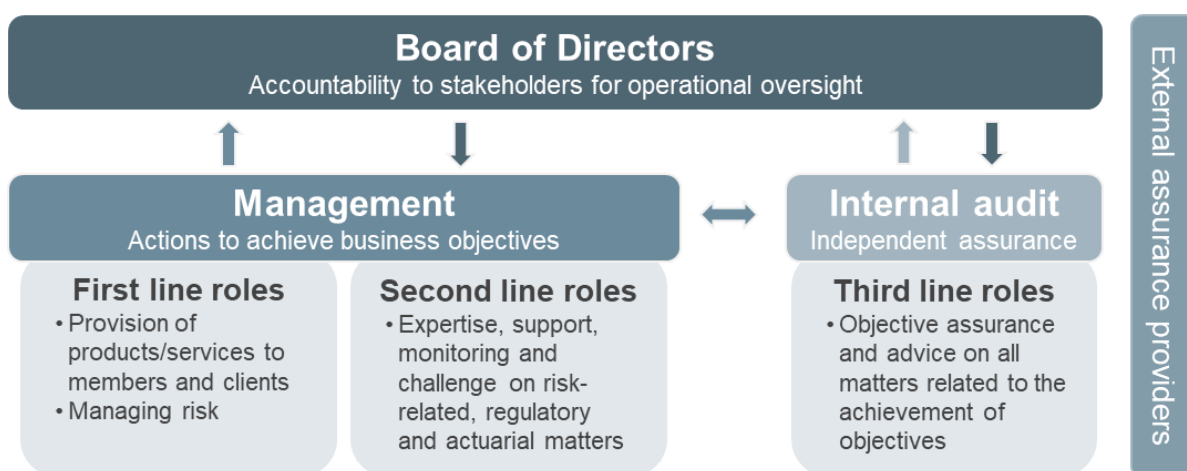
All persons mentioned above shall be compliant with fit and proper criteria for the whole term of their appointment/employment with Skuld in these positions. If the Nomination Committee, Board of Directors, President & CEO or Executive Management have any grounds to believe that the fit and proper criteria are not met in full by any of the persons to whom they apply, they shall initiate a process of re-assessment. The re-assessment process will – inter alia – include requesting information from the person concerned and collecting other available information. For the key functions mentioned in point d and e above, the Executive Management may consider the need for additional training. If the Nomination Committee or Executive Management conclude as a result of the re-assessment process that all the applicable criteria are not met, the recommendation for replacement shall be made to the Board of Directors or General Meeting, President and CEO or to the Executive Management.

Skuld will advise the Norwegian Financial Supervisory Authority (NFSA) of any new appointments/ changes in the persons named in point a-e above and provide documentation confirming that the required criteria have been met. Skuld will also advise NFSA if any of the persons named in point a-e above are no longer considered fit and proper.

### B.3 Risk management system including own risk and solvency assessment

The Board of Directors is responsible for ensuring that Skuld has an effective risk management system. The Board oversees that the total risk exposure is in line with Skuld's risk bearing capacity. It states Skuld's risk appetite and sets risk limits that are consistent with available capital. The Board's Risk and Compliance Committee prepares the Board's assessment of aggregated risk and evaluates if governance and control measures are adapted to risk levels and scope of activities.

The distribution of responsibilities with regard to risk management follows a three lines model as illustrated in the diagram below.



The first line is made up of the risk owners and their organisations. The risk owners are responsible for identifying and managing risks within their business units or department, and for executing risk assessments. Further, risk owners are responsible for setting up appropriate risk controls.

The second line is made up of independent control functions for risk management, compliance and the actuarial process. The Chief Risk Officer (CRO) is responsible for the risk management function. The Actuarial function is organised within CRO department, but with separate reporting line to the Board's Audit and Sustainability Committee. The Chief Compliance Officer (CCOO) heads the compliance function. The CRO is responsible for establishing an integrated risk management framework for all aspects of risk across the organisation. The CRO monitors the risk management system and the general risk profile, and reports independently to the Board, giving his assessment of the Skuld's risk picture. The Actuarial function is responsible for ensuring the requirements given in Solvency II regulations governing this function are met. The CCOO is responsible for developing and maintaining a robust and effective framework for complying with internal and external regulations.

The third line consists of an independent internal audit function. The internal audit function is outsourced and reports directly to the Board's Audit and Sustainability Committee.

Skuld has also established an advisory internal risk committee. The committee is responsible for reviewing Skuld's risk management framework and the ORSA.

The president and CEO and the Board receive a monthly report describing the development in calculated risk capital for the main risk types, as well as the development in overall risk profile and in risk limits.

The CRO submits a report to each meeting of the Board's Risk and Compliance Committee and the Board, giving an overview of Skuld's risk picture and an assessment of the risk level. Similarly, the CCOO submits a report to each meeting of the Board's Risk and Compliance Committee and the Board, giving an overview of the compliance status in Skuld and describing current compliance risks and documenting controls that have been performed.

### Own Risk and Solvency Assessment (ORSA) process

The ORSA process comprises the totality of processes and procedures that Skuld utilises to measure the strategy of Skuld against the risk profile to determine overall solvency needs as well as the adequacy of the system of governance.

The purpose of the process is to ensure that the Board of Directors has sufficient information to assess if Skuld's risk profile is within the approved risk appetite given the current and forward-looking strategic decisions. All risks within Skuld's risk universe are captured in the process and measured quantitatively by their impact on risk capital or qualitatively by their impact on the risk profile. The ORSA-process shall assess whether Skuld has enough capital to cover business risk exposure in the strategy period.

Skuld runs a preliminary ORSA in connection with the financial planning process, with solvency projections over the course of a 5-year strategic planning period. This process is run after the Board's strategy process, but before renewal. The results from these projections form an important input to managements decisions and financial dispositions for the upcoming year. After renewal, solvency projections are updated, and any significant changes in the risk profile would necessitate a review of the financial plan.

The CRO is responsible for facilitating the ORSA process according to a Board approved ORSA policy which sets out requirements for the process. Results from the ORSA-process are summed up in a report prepared by the CRO. The ORSA report is reviewed by the internal risk committee and subject to internal audit review before submittal to the Board. Based on the report, the Board assesses Skuld's solvency position. The ORSA report, approved by the Board, is submitted to the Norwegian FSA.

Skuld will undertake an ORSA outside of the usual cycle if the risk profile and/or and eligible capital changes significantly and the previous ORSA is no longer relevant and useful.

Skuld carried out an Own risk and solvency assessment (ORSA) in spring 2025. Based on the ORSA, the Board assessed the solvency position to be satisfactory with regard to regulatory requirements and Skuld's strategy.

## B.4 Internal control system

Internal controls are embedded in processes and procedures and exercised throughout all the business units taking into account independence requirements. The controls are meant to detect deviations from agreed standards for process execution, data errors and irregularities in order to prevent adverse outcomes. Each business unit leader is responsible to implement adequate internal controls within her area of responsibility. The controls are subject to regular reviews by the independent control functions, as referred to in section B.3, as well as by internal and external audit.

To ensure the effectiveness of Skuld's internal control system, all functions in the three lines model are obliged to cooperate and exchange necessary information and advice.

## B.5 Internal audit function

The internal audit function's responsibility is to evaluate the adequacy and effectiveness of the internal control system, the efficiency of the risk management system and all other elements of the systems of governance. Skuld has outsourced the internal audit function to KPMG, and the function reports directly to the Board of Directors.

The internal audit function prepares an annual audit plan which is based upon the risk assessment process in Skuld. The Board's Audit and Sustainability Committee approves the audit plan. In consultation with the Audit and Sustainability Committee, the annual plan may be updated periodically in response to emerging or other issues.

The function delivers formalised reports on each project detailing the objective, scope, findings, recommendations and summary conclusion together with detailed observations and recommendations. The implementation of recommended procedures is also monitored by the function. Findings and recommendations are reported to the Audit and Sustainability Committee regularly.

## B.6 Actuarial function

The requirements for the Actuarial function are set out in the Solvency II Directive. Skuld's Actuarial function is organised in accordance with the requirements for independence from operational functions in order to be objective and free from influence from other functions when forming its own actuarial view and providing opinions.

The function is not responsible for calculating the technical provisions, but for coordinating the calculation process and assessing the methods, tools and data used for the evaluation. The Actuarial function must also assess the sufficiency of the technical provisions.

The function's responsibilities are:

- To coordinate the calculation of the technical provisions.



- To assess whether the methodologies and assumptions used in the calculation of the technical provisions are appropriate for the specific lines of business of the undertaking and for the way the business is managed, having regard to the available data.
- To assess whether the information technology systems used in the calculation of technical provisions sufficiently support the actuarial and statistical procedures.
- To review the quality of past best estimates and use the insights gained from comparing best estimates against experience to improve the quality of current calculations.
- To express an opinion on overall underwriting policy.
- To express an opinion on the reinsurance arrangements.
- To contribute to the effective implementation of the risk-management system.

The Actuarial function prepares an annual report to the Board's Audit and Sustainability Committee and Board of Directors on how the requirements of the Actuarial function have been discharged, and on the reliability and adequacy of the calculation of technical provisions.

## B.7 Outsourcing

"Outsourcing" refers to an arrangement under which a service provider undertakes to perform a service (including a business activity, function or process) which would otherwise be undertaken by Skuld itself.

The Board of Directors has adopted an outsourcing policy to help identify and mitigate the risks associated with outsourcing, without hindering the efficiency and effectiveness of Skuld's operations. According to the policy, an outsourcing agreement should be put in place between Skuld and the service provider in the form of a legally binding written agreement which sets out the terms and conditions governing the outsourcing arrangement. Every such outsourcing agreement should address the risks and risk mitigation strategies associated with the outsourcing arrangement. The outsourcing agreement should be sufficiently flexible to allow Skuld to retain an appropriate level of control over the outsourcing arrangement and the right to intervene with appropriate measures to meet its regulatory requirements. The outsourcing agreement should also bring out the nature of legal relationship between the parties, whether agent, principal or otherwise.

The Board of Directors is responsible for approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing. In addition, the Board has overall responsibility for all outsourcing arrangements and shall review the outsourcing policy at least annually to ensure it remains fit for purpose, compliant with relevant regulatory requirements and appropriate in the context of market developments.

The criteria for approving an outsourcing arrangement are for the Management to be satisfied that:

- the benefits of the outsourcing arrangement to Skuld in terms of access to specialist services and/or reduced costs outweigh the risks associated with the reduced control and increased risk profile of using a service provider to provide such outsourced functions; and
- the outsourcing policy has been complied with.

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of Skuld's core processes such as but not limited to underwriting and claims handling, cannot be outsourced.

## B.8 Any other information

Skuld's overall system of governance is designed and aligned appropriately and proportionally to adequately support Skuld's business model and its underlying strategy and risk profile. All material information regarding the system of governance has been addressed in the previous sections.

## C Risk profile

Skuld has defined a risk universe comprising relevant risk types. For each risk type risk mitigation objectives, risk controls and risk management tools are described.

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 the investment of premiums received from members and clients. The above-mentioned risks are accepted within Skuld's strategy in order to create value for our members. Skuld is also exposed to internal risks arising from within the organisation, generating no strategic benefit, and to external risks. A material risk in this category is operational risk. Compliance and reputational risk are also considered material for Skuld.

Quantification of risk in a regulatory context is based on the standard formula as stipulated in the Solvency II framework. The standard formula defines modules for quantification of different risk types through the calculation of solvency capital requirements (SCR) and prescribes procedures to aggregate risk and is developed to be valid for a general insurer. The underwriting (UW) risk module of the standard formula will generally underestimate the diversification within a highly specialised insurance entity. SCR for UW risk calculated with the standard formula is therefore seen to be conservative.

For market risk, counterparty risk and operational risk the standard formula is deemed to capture risk adequately, and for risk assessment, SCR calculated with the standard formula is, in Skuld's view, a relevant measure of risk exposure.

The current risk landscape is described in section C.6.

### Risk concentrations

Risk concentrations can be hard to monitor and might not be captured sufficiently by the standard formula. The possibility of risk concentrations exists within underwriting risk, market risk and counterparty risk. In the market risk module, a risk estimate related to large concentrations is included, while in the counterparty risk module, risk related to counterparty default is estimated for each counterparty. The underwriting risk module considers different geographical areas but does not distinguish between the concentration on an individual level within or between each area. A large number of different policyholders ensures, however, that undesired risk from concentrations is avoided.

## C.1 Underwriting risk

The Skuld Group and the Norwegian Association take on underwriting risk from members and commercial clients, making it the largest risk.

Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses), and consists of reserve risk, premium risk and catastrophe risk.

### Reserve risk

Reserve risk is the risk that the current claims provisions are not sufficient to cover the development of already incurred claims and related expenses. Reserve risk reflects principally the emergence of uncertainty related to actual claims' size (for reported, but not yet settled claims, i.e. RBNS) being higher than expected, and claims incurred but not yet reported (IBNR) being greater than expected.

The cost of RBNS is estimated by a claims handler for each individual claim and is based on relevant information available from claims reports, loss adjusters, medical certificates and information about the costs of settling claims with similar characteristics in previous periods. Statistical methods are used for calculating IBNR provisions. IBNR provisions and provisions for outstanding claims are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, where information about the claim is available.

### Premium risk

Premium risk relates to future exposures, future claims and their related expenses. Exposure arises on unexpired risk from contracts already underwritten (i.e. the “unearned” exposure) and from future underwritten contracts.

### Catastrophe risk

Catastrophe risk refers to the risk of financial losses related to unlikely events with high severity (natural, economic and man-made disasters with immediate impact). When calculating SCR for catastrophe risk, Skuld follows the approach described in solvency regulations.

### Risk mitigation

In order to mitigate underwriting risk, Skuld, alongside the 11 other P&I clubs, participates in the IG pooling arrangement, where currently claims above a retention level of USD 10 million are pooled. The pooling agreement provides a solid market reinsurance program and sets out how the losses in the pooling layers are distributed between the participating clubs. This enables solvency after events with extreme losses, but also in years with a high frequency of low severity claims. Thus, reinsurance is applied to ensure that underwriting risk is kept within the accepted risk appetite.

The clubs in the pooling arrangement retain part of the exposure but purchases reinsurance in the market to reduce the total exposure. The P&I clubs have through IG established Hydra, a



segregated account company, where each of the clubs have their own segregated cell, reinsuring part of the exposure in the Pool.

The Skuld Group and the Norwegian Association also write other covers with high vertical limits of cover (e.g. charterer P&I and CLH and offshore covers). These covers are reinsured in the market based on a risk assessment of the desired risk level. In addition to the above, Skuld has a separate treaty structure for non-poolable exposure, and for Skuld Hull.

### Solvency capital requirements

SCR for underwriting risk per 20 February 2025 are shown in the table below. The capital requirements take into account geographical diversification.

USD million	Skuld Group	Norwegian Association
Premium and reserve risk	296.1	167.5
Catastrophe risk	36.8	25.6
Diversification	-25.5	-17.5
<b>Total underwriting risk</b>	<b>307.4</b>	<b>175.7</b>

## C.2 Market risk

Market risk refers to the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Within market risk, Skuld's main exposure is towards equity risk, interest rate risk and currency risk. Skuld is to a lesser degree exposed to spread risk, property risk and concentration risk.

### Equity risk

Equity risk refers to the risk that the value of an asset or liability will change due to fluctuations in the level or volatility of the market prices for equities. 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 several private equity funds as well as hedge funds.

### Interest rate risk

Changes in interest yield curves affect future payments to be made in respect of claims and other liabilities and the return on investments with exposures being sensitive to changes in interest yield curves. The assets that are exposed to interest rate risk are primarily those found outside the portfolio used for asset liability management purposes.

In real economic terms, Skuld is well secured against shifts in interest rates, but shifts will have an effect in the account 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.

### Spread risk

Spread risk reflects the sensitivity of the values of investments with respect to changes in credit spreads. Thus, spread risk is primarily taking into account bonds and secured loans. Credit spreads will in general be smaller for well rated securities than for those that are poorly rated. In addition, credit spreads will vary with the duration of the securities (high spreads for lower durations, and low spreads for longer durations). An increase in the spread of 100 basis points would decrease the market value of fixed income securities by USD 2.8 million.

### Currency risk

Skuld is exposed to several different currencies, and thus currency risk is present, as exchange rates will affect the value of transactions and balances. The accounting currency is USD, and this is the currency of which most assets and liabilities are denominated in. Currency forwards are the only derivatives that have been entered directly, and these are used to buy NOK to hedge administration costs in NOK. This exposure is kept off-balance, but it is included in the currency risk calculation.

Exposure towards the 10 largest currencies per 20 February 2025 is shown in the table below.

Currency		Skuld Group		Norwegian Association	
		Net position	SCR	Net position	SCR
Euro	EUR	45.6	11.4	44.5	11.1
Japanese Yen	JPY	21.5	5.4	21.5	5.4
British Pound	GBP	7.3	1.8	7.4	1.9
Swiss Franc	CHF	6.6	1.7	6.6	1.6
Australian Dollar	AUD	4.8	1.2	4.7	1.2
Swedish Krone	SEK	4.2	1.1	4.1	1.0
Taiwan Dollar	TWD	2.9	0.7	2.9	0.7
Indian Rupee	INR	2.9	0.7	2.9	0.7
Korean Won	KRW	2.3	0.6	2.3	0.6
South African Rand	ZAR	1.6	0.4	1.6	0.4
Other (43 currencies)			2.4		2.4
Total			27.4		27.0

### Property risk

Property risk is insignificant as there are no large investments in properties.

## Concentration risk

Concentration risk is the exposure to increased losses associated with inadequately diversified portfolios of assets and/or liabilities.

Skuld has an underlying strategy of matching insurance liabilities in terms of currency and duration with fixed interest government securities of a high quality. Furthermore, Skuld holds diversified portfolios of investment types to maximise the return at the agreed level of risk. The aim is to ensure that they are able to cover for future payments of claims, and risk taking is therefore only accepted on top of the risk mitigating techniques applied. Assets are thus held in a manner that is in the best interest of the policy holders.

## Risk mitigation

The main risk mitigation objective concerning market risk is to reduce the likelihood of risk materialising, and to reduce the impact, should the risk materialize.

Total risk tolerance for market risk is described in Skuld's risk appetite statement. Investment mandates are established to respect these high-level risk limits. The investment and liquidity policy assigns clear responsibilities and ensures the investment process is carried out in accordance with regulatory requirements. The investment strategy details the operationalisation of investment beliefs, policy and mandates.

The Investment department, supported by the Risk management function, is responsible for carrying out this strategy. The composition of financial assets follows the criteria and guidelines given by the market risk limits and investment strategy. Financial assets are used both for risk mitigating purposes and for maximising expected return given the specified restrictions.

To improve the risk/return relationship, funds are invested across a large number of asset classes. From 2015, Skuld has only passively managed instruments. Fund of fund vehicles are used to reduce manager risk in private equity.

The majority of equity holdings are invested in passively managed index tracking funds. These funds are benchmarked against an adjusted MSCI All Country World Investable Market Index. This implies a risk profile consistent with the global equity market, without overweighting specific sectors, countries or regions. The index is widely diversified, including both developed and emerging countries, small-, large- and mid-cap stocks.

Interest and currency risk of claims liabilities are immunised by asset liability management (ALM) in a separate portfolio. This portfolio consists of government bonds and bills issued by low-risk states. Changes to the value of the ALM portfolio are accompanied by a corresponding revaluation of the claims liabilities' present value. Interest risk is immunised by holding the duration of the portfolio equal to the duration of the claims liabilities, while currency risk is

minimised by letting the currency composition mirror that of the claims liabilities. Derivative contracts (futures and forward contracts) may be used to improve the matching.

### Prudent person principle

Skuld's investment and liquidity policy gives the overall objective and constraints of the operational management of the investment portfolios and has in scope all business processes dealing with risk factors included in the market risk module under Solvency II. This policy is reviewed and approved by the Board of Directors, which has the ultimate responsibility for the investments made. Skuld has an Investment committee which follows up the Head of Investments, ensuring that prudent investments are made and that these correspond with the risk appetite of the Skuld Group and the Norwegian Association. Furthermore, there are procedures and criteria outlined to monitor and evaluate the performance results achieved by investment managers on a regular basis and reports on the performance go to the Board of Directors in addition to the Investment committee. As such, the Skuld Group and the Norwegian Association meet the prudent person principle as set out in Article 132 of Directive 2009/138/EC.

### Solvency capital requirements

SCR for market risk per 20 February 2025 are shown in the table below.

USD million	Skuld Group	Norwegian Association
Equity risk	153.1	154.0
Currency risk	27.4	27.0
Interest rate risk	1.9	8.9
Concentration risk	0.3	0.9
Spread risk	9.9	8.2
Property risk	1.4	1.2
Diversification	-22.2	-29.6
<b>Total market risk</b>	<b>171.7</b>	<b>170.7</b>

## C.3 Counterparty risk

Counterparty default risk is the risk that a counterparty fails to meet its obligations.

Skuld is exposed to counterparty risk through transactions with reinsurance companies, banks, derivative counterparties, members and clients. The majority of bond holdings consist of highly rated issues. The average rating of bonds is AA. 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 investment grade.

This risk cover changes in value of assets and liabilities stemming from weakened credit rating and unexpected default of different counterparties. Exposures are separated into two types,



where the capital charge is estimated differently based on the nature of the counterparties in the two types of categories. Type 2 exposures do not rely on the credit rating of the counterparty, as there is implicitly assumed a rating. The main contribution to counterparty risk comes from reinsurance contracts entered (Type 1), and this risk is mitigated mainly by engaging in reinsurance schemes with reinsurers that have a rating A or higher, thus lowering the probability of a default. Reinsurance is furthermore divided over many different reinsurers.

### Managing counterparty risk

Counterparty default risk is treated in the investment and liquidity process through investment and liquidity mandates, and investment and liquidity strategies. Risk limits and restrictions in these guiding documents are based on Skuld's risk appetite.

### Solvency capital requirements

SCR for counterparty risk per 20 February 2025 are shown in the table below.

USD million	Skuld Group	Norwegian Association
Counterparty risk	57.3	58.5

## C.4 Liquidity risk

Liquidity risk is the risk that Skuld is unable to meet payment obligations, with financing only possible at an excessive cost.

Whereas cash flows with regard to operating costs and receipt of premium are well known, size and timing of claims payments are unpredictable. Therefore, a separate liquidity portfolio ensures sufficient cash resources to meet Skuld's daily obligations. Acceptable assets in the liquidity portfolio are restricted to overnight deposits, treasury bills with low sovereign risk, liquid money market funds with AAA rating or cash deposits.

The table below shows the realisation time that applies to investment assets.

Asset	Market value (USD million)	%	Realisation time
Cash and Equivalents	206.2	15.05 %	Daily
Equities	301.2	21.99 %	Maximum 20 days
Fixed Income	820.7	59.91 %	1 to 6 days
Hedge funds	15.2	1.11 %	Monthly
Private Equity	2.6	0.19 %	Uncertain
Infrastructure	15.9	1.16 %	Quarterly
Strategic Investments in associated companies	8.1	0.59 %	Uncertain
<b>Total</b>	<b>1370.0</b>	<b>100 %</b>	

## Managing liquidity risk

Skuld's liquidity strategy details framework and guidelines for ensuring adequate cash management to meet liabilities in due time. The liquidity risk tolerance is set in Skuld's risk appetite statement, to minimum 3 % of the total investment portfolio. Compliance with risk tolerance is monitored by the risk management function.

In addition to the daily monitoring of the cash situation, the Head of Investments regularly prepares a liquidity assessment, describing monitoring activities and assessing the tolerance limit. Liquidity risk is considered low. No capital requirement is calculated as the risk is managed through a strong governance framework.

## C.5 Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems.

Skuld has a low appetite and tolerance for material operational risks and appropriate measures are in place to achieve a high level of operational risk awareness. Operational processes are monitored, and people's behaviours and decisions are guided toward desired norms through "The Skuld Way". Operational risk is mainly controlled by active prevention.

Risk owners in all business units are responsible for implementing adequate internal controls in operational processes. Executive Management shall ensure that the necessary instructions, guidelines, processes and procedures for managing operational risk in all material products, activities, processes and systems are in place. A risk assessment process, facilitated by the CRO, forms an important part in managing operational risk. The risk matrices used in the risk assessment process are an expression of Skuld's risk appetite regarding operational risk, compliance risk and reputational 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. Incident reporting and the follow-up of incidents are on the other hand important tools for controlling operational risk. Chief Compliance Officer is responsible for the framework for incident reporting, and for keeping a record of all reported incidents and for monitoring actions taken to mitigate risk of recurrence.

In connection with the ORSA, detailed assessments of potential financial losses that could arise from failures in Skuld's main processes, Underwriting, Claims and Finance, have been carried out, in order to have a bottom-up assessment of the level of capital available to cover operational risk. Based on these assessments, it can be assumed with large degree of confidence that the level of capital available to cover operational risk is adequate.

## Solvency capital requirements

SCR for operational risk per 20 February 2025 are shown in the table below.

USD million	Skuld Group	Norwegian Association
Operational risk	28.4	26.4

## C.6 Other material risks

Risks described in sections C.1 to C.5 represent the primary risks in Skuld's risk universe. With the exception of liquidity risk, all of these risks are quantifiable. Skuld is, however, exposed to a range of other non-quantifiable risks. Below follows a short description of the most material of these risks.

### Strategic risk

Risk connected to Skuld's strategic moves that cause returns to vary and for which the outcomes and probabilities may be only partially known and where hard-to-define goals may not be met.

A robust articulation of the key elements of the strategy (intent, drivers/actions) is central in controlling this risk, making it possible to identify how the strategy will interact with the risks faced by Skuld.

### External risks

External risks are risks arising from events outside Skuld and that are beyond its influence and control. Skuld has defined the following risk types within this category:

*Regulatory risk* are changes in current regulation (or imposition of new regulation) that will materially increase the cost of doing business.

*External financial crime risk* results from acts of a type intended to defraud, misappropriate property, or circumvent the law, by a third party; includes money laundering.

*ESG risks* refer to potential negative impacts on Skuld arising from environmental, social, and governance factors.

*Political risk* is any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives.

*Emerging risks* are new or future risks whose hazard potential is not yet reliably known and whose implications are difficult to assess. These can be completely new risks that have never been seen before, or previously known risks that are evolving in unexpected ways with unanticipated consequences.

*ICT risk* is defined as any reasonably identifiable circumstance in relation to the use of network and information systems which, if materialised, may compromise the security of the network and information systems, of any technology dependent tool or process, of operations and processes, or of the provision of services by producing adverse effects in the digital or physical environment. ICT risk includes the risk from pre-meditated attacks from outside parties and may lead to financial loss, business disruption and damage to reputation.

## Sustainability and climate change

Climate change will increasingly affect the maritime industry and Skuld, presenting both opportunities and risks.

As a consequence of climate change's direct, physical impact, more frequent and severe weather events such as storms, hurricanes, and flooding are likely to occur. This can lead to an increase in claims related to vessel, cargo, and infrastructure. As Arctic ice melts, new shipping routes will become accessible. While this could shorten travel times, harsh weather conditions and the lack of established safety protocols and infrastructure, such as search-and-rescue facilities, could result in costly claims from accidents and oil spills.

The ongoing transition to a carbon-neutral economy is reshaping the maritime industry, compelling shipowners to make strategic decisions on new and alternative fuels and technologies—often under significant uncertainty. These emerging solutions also introduce unknown risks for the insurance industry. Both shipowners and marine insurers face growing challenges, including complex regulatory requirements, rising costs, and the risk of compliance breaches.

Skuld's approach to addressing climate change risk involves identifying and assessing the impact of climate change on the maritime industry as a whole and the marine insurance industry in particular.

Developments that might indicate manifestations of climate change are continuously monitored and evaluated. Understanding how these developments will impact the marine insurance industry will enable Skuld to act by adapting and strengthening its strategic approach.

## Current risk landscape

The financial year 2024 saw a return to a normalized claims environment, which was accelerated in the second half of the year. The final month saw an unusual high number of claims being reported, especially within P&I, making 2024 a historically challenging year. This adverse development was driven mainly by a surge in reported claims in the band from USD 0.5 million to USD 2 million, along with substantial increase in cost from poolable claims.

The global geopolitical situation remains volatile, with an increased likelihood and impact of disruptive events. Shifting US policies complicates international political navigation, making business planning challenging. A key long-term trend is the conflictual relationship between the US and China, which will shape the future geopolitical landscape. Europe will increasingly need to rely on its own defense capabilities as US presence diminishes, emphasizing European unity

and independence. This rivalry may also disrupt global supply chains, rewire trade flows, and increase costs for businesses and consumers, potentially slowing the global economy.

Rapid technological advancements amid escalating global tensions heighten cybersecurity risks. State-sponsored threat actors are likely to develop technology faster than open democracies can protect themselves.

Sanctions against Russia are extensive, creating substantial regulatory burdens. The parallel fleet of tankers, developed due to these sanctions, has faced several incidents over the past year. The future of both the sanctions regime and the parallel fleet is uncertain, particularly with the possibility of a peace treaty in the Russia-Ukraine war.

### Risk related to Skuld's rating

A solid financial standing is important for the Skuld Group and the Norwegian Association and a requirement to be a member of IG. Skuld currently holds an A-rating with S&P with a stable outlook.

## C.7 Any other information

The Skuld Group and the Norwegian Association have carried out sensitivity and stress testing to see the impact on the SCR and the solvency position arising from unexpected developments in claims, premiums and investments.

In connection with the ORSA, the Board of Directors is actively involved in setting scenarios that are of relevance. Any threats or potential major changes to the daily business will typically be of interest.

The scenarios considered in the latest ORSA include the following:

- the downside risk for P&I portfolio following a prolonged period of high-claims volatility,
- the effects of protectionism triggered by US tariffs in combination with higher inflation,
- a qualitative scenario on the future of the IG,
- a stress scenario combining consequences of a shock on financial markets with high-claims volatility,
- the effect of an equity shock,
- a reverse stress test analysing Skuld's loss-bearing capacity, and
- potential impact of climate risk.

In case of extraordinary circumstances requiring an improvement of the solvency situation, Skuld could either reduce the risk or raise more capital. Skuld's capital contingency plan describes clearly concrete measures to be taken, routines to be followed and responsibility for initiating and executing necessary measures. The plan also shows the effects on solvency of the different measures and describes the timeline for the measures to take effect.

## D Valuation for solvency purposes

This section specifies and describes the valuation of assets and liabilities for solvency purposes, the differences between the methods and main assumptions used for the valuation of assets for solvency purposes and those used for financial statements.

The methods and assumptions follow the principles outlined in the Solvency II directive, i.e.:

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction (fair value).
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.
- The materiality principle shall be considered when valuing assets and liabilities. Information is material if its omission or misstatement influences the decision-making or the judgement of the users of that information, including the supervisory authorities.
- The valuation shall be based on the assumption that the company will continue to operate and write new business for the foreseeable future (going concern basis).

The Solvency II balance sheet represents a risk-based view of the entire balance sheet as at a given date, where assets and liabilities are valued in line with the above concepts.

No changes have been made to the recognition and valuation bases used or to estimations during the reporting period.

### D.1 Assets

The composition of financial assets follows the criteria and guidelines given by the market risk limits and investment strategy. Financial assets are used both for risk mitigating purposes and for maximising expected return given the specified restrictions.

Around 64 % of investments are within global fixed income, while around 24 % are equities. The majority of equity holdings are invested in passively managed index tracking funds. The investment assets are held in custody at State Street. In the statutory accounts balance sheet, the fair value of assets is mainly measured on a mark-to-market basis.

The table below specifies the differences between the valuation according to IFRS in financial accounts and the Solvency II balance sheet.

Skuld Group			20.02.2025 USD million	Norwegian Association		
Financial Statements	Adjustments	Solvency II		Financial Statements	Adjustments	Solvency II
7.1	-7.1	0	Intangible assets	7.1	-7.1	0
			Holdings in related undertakings	11.1	4.6	15.7
408.0	-92.0	316.1	Reinsurers' share	633.5	-121.1	512.4



## Intangible assets

Intangible assets are measured on initial recognition at cost, being the fair value at the date of acquisition. After initial recognition, intangible assets are measured at cost less accumulated amortisation. Intangible assets are amortised over the useful economic life, and the amortisation expense on intangible assets is recognised in the income statement in the expense category that is consistent with the function of the intangible assets. Software is classified and presented as intangible asset. For Solvency II purposes, intangible assets are valued at zero.

## Holdings in related undertakings

For Skuld Group, the group structure in solvency calculations and statutory accounts is aligned. There is no adjustment for value of subsidiaries.

In Norwegian Association's financial statements, shares in subsidiaries amount to USD 3.7 million and a capital contribution to Skuld Bermuda accounts for USD 5 million. In addition to intercompany receivables of USD 2.4 million, holdings in related undertakings total USD 11.1 million. In the Solvency II balance sheet, subsidiaries are valued at USD 4.6 million in excess of IFRS value.

## Reinsurer's share

Reinsurer's share of technical gross provision is presented as an asset in the balance sheet and represents the settlements expected to be received from reinsurers according to signed contracts. Impairment losses on these assets are recognised if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that all amounts due to it under the terms of the contract may be received, and that event has a reliably measurable impact on the amounts that will be received from the reinsurer. The reinsurer's share has, for Solvency II purposes, been discounted with the risk-free rate term structure for US dollars given by EIOPA.

## D.2 Technical provisions

The IFRS value for technical provisions differs from the corresponding value under Solvency II in as much as it does not include any risk margin or premium provisions and does not include the discounting effect. Technical provisions for the Skuld Group and the Norwegian Association as of 20 February 2025 are presented in the table below.

Skuld Group		USD million	Norwegian association	
Solvency II	IFRS		Solvency II	IFRS
<b>1000.7</b>	<b>1121.6</b>	<b>Technical provisions</b>	<b>913.0</b>	<b>1036.3</b>
945.6		Best estimate	880.3	
55.1		Risk Margin	32.7	

## Bases, methods and assumptions

The technical provisions under Solvency II are determined as the sum of best estimate liabilities and the risk margin. The sum of claims provisions and premium provisions constitute the best estimate. In the calculation of the best estimate liabilities, the business of Skuld is split in homogenous risk groups, such that the nature, scale, complexity of the business is taken into account.

The technical provisions shall correspond to the current amount the Skuld Group or the Norwegian Association would have to pay if they were to transfer their insurance obligations immediately to another undertaking. The best estimate is a probability-weighted average of future cash flows, taking the time value of money into account using the relevant risk-free interest rate term structure given by EIOPA. The risk margin is computed by calculating the discounted solvency capital for all future run-off years multiplied with the cost of capital rate set by EIOPA.

Claims provision relates to claims having occurred before or at the valuation date. Claims provisions include case estimates (estimation from claims handlers), incurred but not reported claims (IBNR) and unallocated loss adjustment expenses (ULAE).

The premium provisions relate to claims occurring after the valuation date and during the coverage period of existing policies (within contract boundary). The cash flow components of the premium provisions are premiums to be paid in the future, claim payments, claims administration expenses, expenses for on-going administration of the in-force policies and investment expenses.

For calculation of the risk margin, Skuld estimates all future SCRs at once by using the modified duration of the liabilities as a proportionality factor.

The Skuld Group or the Norwegian Association have not performed any matching or volatility adjustment to the risk-free interest rate term structure, nor any transition measure on the risk-free interest rate or on technical provisions.

There were no material changes in the methods and assumptions for the calculation of best estimate technical provisions compared to the previous reporting period.

## Uncertainty associated with the value of technical provisions

The best estimate projection of ultimates requires a number of assumptions about future claims development, which are inherently uncertain and contingent on future events that cannot be known at the present time. The best estimate projections are therefore subject to a significant degree of uncertainty, and the eventual cost of claims may differ—possibly substantially—from our best estimate projections at this point in time.

## D.3 Other liabilities

### Deferred tax

Skuld Group			20.02.2024 USD million	Norwegian Association		
Financial Statements	Adjustments	Solvency II		Financial Statements	Adjustments	Solvency II
47.1	5.5	52.6	Deferred tax liabilities	47.3	0.1	47.2

In previous years, Skuld's risk-carrying ability has been measured by contingency reserve. As part of the implementation of Solvency II in 2016, the term contingency reserve was discontinued in the Norwegian regulatory framework and accounting standards and reclassified to equity in the financial statement and to eligible capital in Solvency II.

In parallel with the changes in Solvency II and the accounting standards, the Norwegian Ministry of Finance has worked on harmonising the tax regulations with the new standards. In 2018, new tax regulations for Norwegian insurance companies were approved. Skuld and the marine insurance industry have challenged these new regulations, and Skuld has disputed the taxation of historical contingency reserve in tax papers since 2018. In 2022, a notice of adjustment of tax assessment was received, which has been challenged by Skuld to the Norwegian Tax Appeals Committee.

The adjustment shown above is based on temporary differences between the value of assets and liabilities valued in accordance with Solvency II and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

## D.4 Alternative methods for valuation

Skuld does not use alternative methods for valuation as set out in Article 263.

## D.5 Any other information

No other material information is applicable.

## E Capital management

### E.1 Own funds

The Board of Directors has adopted a policy that sets out the overall objectives for capital management for Skuld. Primarily, capital management has to ensure that Skuld has sufficient eligible capital to fulfil its operational and strategic goals, and to be able to sustain an adverse outcome without ending up in a financially distressed situation. Capital has to be used efficiently to meet the group's overall capital target. Skuld must have sufficient capital to cover both growth and current fluctuations in the group's exposure, while at the same time taking into account expected future capital requirements.

Overall capital targets are defined by Board approved target and limits for solvency ratio and by Skuld's strategy. Guidelines for monitoring the capital situation are in place, and the Board receives as a part of the ORSA process (see also section B.3) monthly updates on development of own funds and SCR.

#### Available Tier 1 capital (Basic Own Funds)

The table below reconciles equity as in the statutory accounts, excess of assets over liabilities and Basic Own Funds as calculated under Solvency II.

Skuld group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
<b>538.1</b>	<b>517.4</b>	<b>Statutory accounts equity</b>	<b>439.1</b>	<b>421.8</b>
-7.1	-4.5	Property (for own use)	-7.1	-4.5
		Adjustment for value of subsidiaries	4.6	3.7
-92.0	-90.1	Reinsurance Recoverables	-121.1	-106.5
121.0	107.8	Technical Provisions	123.3	111.9
-5.5	-3.3	Deferred Tax	0.1	-1.1
<b>554.5</b>	<b>527.2</b>	<b>Assets in excess of liabilities</b>	<b>438.9</b>	<b>425.1</b>
-2.3	-2.6	Pledged assets / Non-available own funds	-2.3	-2.7
<b>552.2</b>	<b>524.6</b>	<b>Basic own Funds</b>	<b>436.6</b>	<b>422.4</b>

Statutory accounts equity has increased with the positive result for year 2024/25. Changes in technical provisions are due to changes in interest rates, affecting the discounting of technical provisions, as well as changes in premium provisions. Risk margin has changed in line with the overall SCR as described in E.2. Changes in the value of shares in subsidiaries are also taken into account before assets in excess of liabilities, the reconciliation reserve, can be determined.

## Available Tier 2 capital (Ancillary Own Funds)

According to the permission granted by the Norwegian FSA, the available ancillary own funds are calculated as 50 % of estimated total premium for the three open policy years for policies entered into on mutual basis.

Skuld Group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
382.4	340.0	Available ancillary own funds	378.5	336.6

## Eligible capital to cover capital requirements

The eligible capital to cover the SCR consists of Basic Own Funds, which may be taken into account in its entirety due to its permanence and loss absorbency, and Ancillary Own Funds, which may, however, only cover up to 50 % of SCR.

Skuld Group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
552.2	524.5	Basic Own Funds / Tier 1	436.6	422.4
197.8	166.8	Ancillary Own Funds / Tier 2	142.8	126.1
<b>750.0</b>	<b>691.4</b>	<b>Total eligible own funds to meet the SCR</b>	<b>579.2</b>	<b>548.5</b>

The eligible capital to cover the Minimum Capital Requirement (MCR) consists of Basic Own Funds in its entirety. Skuld does not hold Ancillary Own Funds that can be taken into account when calculation eligible own funds to meet the MCR.

Skuld Group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
552.2	524.5	Basic Own Funds / Tier 1	436.6	422.4
-	-	Ancillary Own Funds / Tier 2	-	-
<b>552.2</b>	<b>524.5</b>	<b>Total eligible own funds to meet the MCR</b>	<b>436.6</b>	<b>422.4</b>

## E.2 Solvency capital requirements and minimum capital requirement

### Solvency capital requirements

The minimum level of own funds required to operate with no regulatory intervention is represented by the SCR. Skuld calculates the SCR according to the Standard Formula defined in the Solvency II framework.

Skuld Group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
307.4	272.3	Underwriting risk	175.7	179.2
171.7	130.5	Market risk	171.0	133.9
57.3	56.7	Counterparty risk	58.5	55.1
-116.7	-97.2	Diversification	-98.9	-87.8
<b>419.8</b>	<b>362.4</b>	<b>Basic Solvency Capital Requirement</b>	<b>306.3</b>	<b>280.5</b>
28.4	24.9	Operational risk	26.4	23.4
-52.6	-53.7	Loss-absorbing capacity of deferred taxes	-47.2	-51.7
<b>395.5</b>	<b>333.6</b>	<b>SCR</b>	<b>285.5</b>	<b>252.2</b>
750.0	691.4	Total eligible own funds to meet the SCR	579.4	548.5
354.4	357.7	Capital surplus	293.9	296.3
<b>189.6 %</b>	<b>207.2 %</b>	<b>SCR margin / Solvency Ratio</b>	<b>202.9 %</b>	<b>217.5 %</b>

Skuld does not use undertaking specific parameters pursuant to Article 104(7) of Directive 2009/138/EC. In addition, no simplifications of the standard formula are applied.

Changes in the SCR over the reporting period are generally a result of

- changes in the reserve volume (Underwriting risk and Operational risk),
- changes in market value of assets (Market risk), and
- changes in credit ratings and increase in reinsurance recoverables (Counterparty risk).

### Minimum capital requirement

The absolute minimum level of own funds that is required to protect policyholders is represented by the MCR. The calculation is based on the net value of technical provisions and net written premiums over the previous 12 months. The result of the calculation is then subject to a floor and a cap of 25 % and 45 % of the SCR, respectively.

Skuld Group		USD million	USD million	
20.02.2025	20.02.2024		20.02.2025	20.02.2024
<b>552.2</b>	524.5	Total eligible own funds to meet the MCR	436.6	422.4
131.1	<b>113.2</b>	<b>MCR</b>	<b>74.8</b>	<b>75.5</b>
421.1	411.3	Capital surplus	361.9	346.9
<b>421.1 %</b>	<b>463.4 %</b>	<b>MCR margin</b>	<b>583.9 %</b>	<b>559.3 %</b>

There have been no periods of non-compliance with the MCR or SCR during the year.

### E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Not applicable to the Skuld Group or the Norwegian Association.





#### E.4 Differences between the standard formula and any internal model used

Not applicable to the Skuld Group or the Norwegian Association.

#### E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with Solvency Capital Requirement

Not applicable to the Skuld Group or the Norwegian Association.

#### E.6 Any other information

There is no other material information to be disclosed.