



 **SKULD**

HALF-YEAR
REPORT

2020/21

21.02.20 - 20.08.20

SERVICE
AND COMPETENCE
YOU CAN RELY ON

HALF-YEAR RESULT 2020/21



HIGHLIGHTS

- USD 14.3 million negative result in first six months
- Positive investment return at 3.2%
- Strong positive contributions from Skuld's commercial operations

Skuld ended the first six months of the 2020/21 policy year with a negative result of USD 14.3 million compared with a positive result of USD 2 million at the half-year in 2019/20.

The half-year technical result amounts to negative USD 25.5 million with combined ratio at 115%, compared with 112% for the same period last year. The main drivers behind the negative result are increased pool claims and COVID-19 related claims within the cruise industry in the beginning of the year. However, we continue to see positive contributions from our commercial operations, including Offshore, Hull, Charterers and FDD.

While Skuld reported a relatively low number of claims in the period, none of which were large enough to involve the IG Pool, other clubs in the IG incurred some significant losses which has seen the volume of pool claims at its highest for some time. This impact was exacerbated by the fact that very few of the pool claims triggered the IG reinsurance programme, which is in place to mitigate the impact of very large claims. We pay our share of pool claims which affected the result negatively by USD 37 million.

Net investment income for the period contributed positively to the result, with an

investment return of 3.2%. After extremely volatile markets in March, prompted by global uncertainty around the economic impact of the COVID-19 pandemic, equity markets recovered fast. Bonds with long duration and open currency exposure on some assets also helped the overall portfolio. Skuld is also pleased to confirm the transaction with The Riverstone Group for the sale of Lloyd's Syndicate 1897 has obtained regulatory approval and the effect of the sale is reflected under investment income.

Our focus now is on rectifying the performance of our mutual book of business for the next policy year. Thus far we are optimistic about an improvement in the second six months as Skuld continues to attract quality tonnage and enjoy the benefits of a successful diversification strategy. We remain committed to providing our members, clients and brokers with the service and competence they can rely on.

STÅLE HANSEN
President and CEO

KEY FIGURES

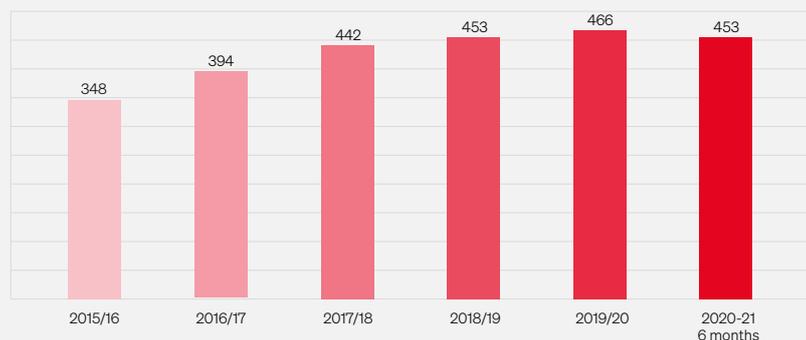
All figures in USD million

CONSOLIDATED INCOME STATEMENT AS AT 20.08.2020	2020 (6 months)	2019 (6 months)
TECHNICAL ACCOUNT		
Premiums and calls	190.0	186.2
Reinsurance premiums	-21.4	-24.3
Premiums for own account	168.7	161.9
Pool claims	-37.2	-10.4
Own claims for own account	-124.8	-130.4
Claims incurred for own account	-162.0	-140.8
Acquisition costs	-25.7	-34.5
Administrative expenses	-6.4	-9.7
Net operating expenses	-32.1	-44.2
Balance carried to non-technical account	-25.5	-23.2
NON-TECHNICAL ACCOUNT		
Balance from technical account	-25.5	-23.2
Net investment income	14.3	26.6
Taxes	-3.3	-1.4
Balance carried to members' funds	-14.5	2.0

BALANCE SHEET AS AT 20.08.2020	20.08.20	20.02.20
ASSETS		
Financial investments	779.2	817.5
Debtors	9.3	11.7
Other assets	290.7	216.6
Prepayment and accrued income	30.8	21.2
Total assets	1 110.0	1 067.1
LIABILITIES		
Provision for outstanding claims for own account	600.0	546.9
Contingency reserve	452.8	465.8
<i>Members' funds</i>	349.3	363.8
<i>Deferred cessation tax</i>	103.6	102.1
Minority interest	-3.4	-3.4
Technical provisions for own account	1 049.4	1 009.4
Provisions for other liabilities	18.2	11.7
Creditors	28.5	27.1
Accruals and deferred income	14.0	19.0
Total liabilities	1 110.0	1 067.1

CONTINGENCY RESERVE

USD million



HALF YEAR ACCOUNTS 2020/21

CONDENSED CONSOLIDATED INCOME STATEMENT

All figures in USD million	21.05-20.08		YTD (21.02-20.08)	
	2020/21	2019/20	2020/21	2019/20
TECHNICAL ACCOUNT				
Gross premiums and calls	98.7	92.9	190.0	186.2
Reinsurance premium	-11.1	-11.4	-21.4	-24.3
Earned premiums and calls for own account	87.6	81.6	168.7	161.9
Pool claims	-20.5	-11.7	-37.2	-10.4
Own claims for own account	-58.0	-77.1	-124.8	-130.4
Claims incurred for own account	-78.5	-88.8	-162.0	-140.8
Acquisition costs	-13.1	-16.0	-25.7	-34.5
Administrative expenses	-3.3	-4.0	-6.4	-9.7
Net operating expenses	-16.4	-20.0	-32.1	-44.2
Balance carried to non-technical account	-7.3	-27.2	-25.5	-23.2
NON-TECHNICAL ACCOUNT				
Balance from technical account	-7.3	-27.2	-25.5	-23.2
Net investment income	27.7	17.7	14.3	26.6
Taxes	-21.2	0.0	-3.3	-1.4
Profit and loss	-0.9	-9.5	-14.5	2.0
Distribution to members	0.0	0.0	0.0	0.0
Balance carried to members' funds	-0.9	-9.5	-14.5	2.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in USD million	20.08.20	20.02.20
ASSETS		
Financial investments	779.2	817.5
Debtors	9.3	11.7
Other assets	290.7	216.6
Prepayments and accrued income	30.8	21.2
Total assets	1 110.0	1 067.1
LIABILITIES		
Technical provisions		
Gross provision for outstanding claims	810.5	801.9
Reinsurer's share	-210.6	-255.0
Provisions for outstanding claims for own account	600.0	546.9
Contingency reserve	452.8	465.8
<i>Members' funds</i>	349.3	363.8
<i>Deferred cessation tax</i>	103.6	102.1
Minority interest	-3.4	-3.4
Technical provisions for own account	1 049.4	1 009.4
Provisions for other liabilities	18.2	11.7
Other creditors	28.5	27.1
Accruals and deferred income	14.0	19.0
Total liabilities	1 110.0	1 067.1

CASH FLOW STATEMENT

All figures in USD million	21.02.20 – 20.08.20	21.02.19 – 20.02.20
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Premiums received	205.1	398.0
Paid claims	-136.1	-320.4
Paid tax	2.1	-3.4
Operational expenses/change in accruals	-49.7	-97.0
Net cash flow from operational activities	21.4	-22.8
CASH FLOW FROM INVESTMENT ACTIVITIES		
Interests and dividends received	7.6	9.7
Investments in fixed assets	0.6	-1.2
Aquisition of subsidiary and investment in associated companies	0.0	4.5
Net financial investments	45.0	71.3
Net cash flow from investment activities	53.2	84.4
Net change in cash and cash equivalents	74.6	61.6
Cash and cash equivalents at the beginning of the period	209.7	148.1
Cash and cash equivalents at the end of the period	284.3	209.7

STATEMENT OF CHANGES IN CONTINGENCY RESERVES

All figures in USD million	21.02.20 – 20.08.20	21.02.19 – 20.02.20
Members' funds opening balance	363.8	338.3
Balance carried forward to members' funds	-14.5	25.5
Members' funds closing balance	349.3	363.8
Deferred cessation tax	103.6	102.1
Contingency reserve closing balance	452.8	465.8

NOTE 1 ACCOUNTING POLICY

The condensed interim financial report has been prepared according to regulations for Norwegian Insurance Companies and the Accounting Standard ISA 34 Interim financial reporting. Application of IAS 34 means that the report is limited compared to the annual financial statement. Accordingly this report is to be read in conjunction with the Annual Report as of 20 February 2020. No significant changes in accounting policies have been made in the period covered by this interim report.

The Financial Supervisory Authorities of Norway has approved the use of USD as functional currency for the Association, hence the interim financial statement is presented 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. Refer to the Annual Report as of 20 February 2020 for further details.

The interim report shows the consolidated accounts for Assuranceforeningen Skuld (Gjensidig). The half-year statutory accounts for Assuranceforeningen Skuld (Gjensidig) ended with a negative result of USD 3.5 million.

The interim report is unaudited.

NOTE 2 SOLVENCY REQUIREMENTS

All figures in USD million

ELIGIBLE OWN FUNDS TO COVER SCR	20.08.20	20.02.20
Tier 1	345.6	367.7
Tier 2	149.7	144.9
Total eligible own funds to meet the SCR	495.4	512.5

ELIGIBLE OWN FUNDS TO COVER MCR	20.08.20	20.02.20
Tier 1	345.6	369.7
Tier 2	20.2	18.4
Total eligible own funds to meet the MCR	365.8	386.0

	20.08.20	20.02.20
Underwriting risk	247.6	220.6
Market risk	106.0	129.3
Counterparty risk	108.4	108.3
Diversification	-101.4	-108.5
BSCR	360.5	349.7
Adjustment due to ring-fenced funds	19.0	17.6
Operational risk	19.8	19.0
Loss-absorbing capacity of deferred taxes	-99.8	-96.6
SCR	299.5	289.8
Total eligible own funds to meet the SCR	495.4	512.5
Capital surplus	195.9	222.8
SCR margin / Solvency Ratio	165.4%	176.9%

	20.08.20	20.02.20
Total eligible own funds to meet the MCR	365.8	386.0
MCR	101.1	91.8
Capital surplus	264.8	294.0
MCR margin	361.9%	420.3%

NOTE 3**FINANCIAL INVESTMENTS**

All figures in USD million

	20.08.20	20.02.20
Shares		
Listed shares and funds	197.5	199.5
Total shares	197.5	199.5
Bonds		
Treasuries	432.6	495.5
Corporate Securities	64.5	63.3
Cash and Money Market	3.8	12.2
Other	7.1	14.8
Total bonds	508.0	585.7
Other investments		
Hedge Funds	14.6	5.4
Infrastructure	10.5	10.4
Private Equity	7.3	8.4
Total other investments	32.3	24.2