

at your service

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annual report 2000

CONTENTS

Assuranceforeningen Skuld	3
2000 at a glance	4
President and Chief Executive Officer	6
The syndicate organisation	10
The management review	13
Report of the Board of Directors	31
Consolidated income and expenditure account	34
Balance sheet	35
Notes	36
Auditor's report	43
Management	44
Board of Directors	44
Committee	45

24:00 12:00 00:00 15:00 06:00 13:00

I Skuld er vi opptatt av å dekke våre medlemmers behov. Derfor er vi en syndikat-basert P&I-klubb. Alle våre ti syndikater er total-service enheter som håndterer alle sider av medlemmenes forhold til oss. Målet er å yte førsteklasses service, døgnet rundt, over hele verden. Syndikat 4 i Oslo er vårt største syndikat, bemannet med tung maritim og juridisk ekspertise. Syndikatet betjener 140 medlemmer i Norge og Tyskland.

TEAM OSLO

At Skuld, we focus on meeting the needs of our members. This is why we are a syndicate-based P&I Club. All our ten syndicates are set up as full-service, dedicated teams in charge of handling all aspects of our members' business with us. The objective is to provide a first-class level of service, around the clock, all over the world. Syndicate 4 in Oslo is our largest syndicate, equipped with extensive maritime and legal expertise which provides service to its 140 members in Norway and Germany.

Skuld's five
offices and global
network of corre-
spondents are
at the disposal
of members
24 hours a day,
365 days a year.

ASSURANCEFORENINGEN SKULD

The Management of the Club hereby presents the Association's world-wide activities and the accounts for the year which ended 20 February 2001.

Assuranceforeningen Skuld is a leading marine Protection and Indemnity insurer. The purpose of the Association, or 'Club', is 'mutual insurance against liabilities and losses incurred by ship-owners in direct connection with the operation of the entered vessels'.

A leading marine Protection and Indemnity insurance association

In the event that a member is made liable or suffers a loss covered under the P&I policy, the Association will indemnify him or her.

Skuld also provides its members with Freight, Demurrage and Defence (FDD) cover, for costs related to legal assistance in charter-party and other contractual disputes connected with the operation of the vessel. In addition, it entitles members to a comprehensive legal consultancy service provided by Skuld's own specialised lawyers.

The Club offers a wide range of tailor-made covers - and assists in arranging other types of third party liability insurance demanded by members.

The largest category of vessels entered into the Association is tankers and bulkers. But Skuld has always made a point of welcoming all types of vessels, including lpg/lng carriers, passenger and cruise vessels, offshore supply vessels, fishing vessels, ro/ro vessels, and container vessels.

Over the last 20 years the Club has also arranged P&I insurance for mobile offshore units such as drilling vessels, accommodation units and FPSOs. In 2000, a separate energy syndicate saw the light of the day, laying the ground for enhanced service in the future.

As a global player, Skuld relies on a large network of own offices, correspondents and other partners to provide assistance for its members' vessels around the world. Currently, this network consists of five offices and more than 700 correspondents. Anchor Marine, Skuld's exclusive correspondent in New York since 1998, plays a key role in assisting members in the large number of US-related matters.

Skuld highlights

- Erik Behn is elected new Chairman of the Board (March 2001).
- Douglas Jacobsohn is appointed CEO (March 2000).
- Committee recommends question of possible supplementary call for 2000 and previous years to be put on hold.
- New syndicate-based organisation established.
- Skuld office opens in Piraeus, at the heart of the world's largest shipowning community.
- Skuld sees tonnage growth of almost 3 mill GT in the course of policy year.
- 5.7% return on investments.
- Overall claims decline by 13.8%.
- Successful renewals 2001: rate increases achieved, but at the cost of some tonnage reduction.
- Skuld moves reinsurance to Swiss Re - and sees significant cost reductions.
- Reefer vessel Green Ålesund spills oil off the Norwegian coast and attracts considerable public attention.

Five-year financial summary

Amounts in 1000 USD	1996	1997	1998	1999	2000
Premiums and calls for own account ¹⁾	127 462	123 214	116 594	125 358	89 099
Claims incurred for own account	103 631	108 347	113 878	124 959	96 400
Gross investment revenue	20 252	28 126	28 388	23 783	18 378
Balance carried to contingency reserve	13 440	11 438	2 324	-8 461	-17 603
Contingency reserve ²⁾	65 839	77 280	79 615	87 689	70 151
Free reserves	90 031	103 895	104 256	97 523	80 784

1) In the original accounts for 1996 to 1999 Skuld's share of other Clubs' Pool claims were included in reinsurance costs. In this statement these amounts have been included in incurred claims to comply with the 2000 accounts. The 1999 figures include unbudgeted supplementary calls of 10% for 1998 and 1999.

2) In 1999 accounting principles were changed to include investments at market value, resulting in an increase in contingency reserve despite a negative balance from the income and expenditure account.

Industry highlights

- Supply continues to exceed demand in insurance markets, but premium levels reach bottom, with trend starting to point upwards.
- International Group Clubs see combined underwriting loss in 1999 of more than USD 350 mill.
- Fixed-price facilities, some of which elect to close down, experience serious setback.
- Following the Erika (and other important incidents in European waters), IMO adopts 50% increase in compensation levels under CLC and Fund Conventions.
- EU and IMO move in a number of safety-related areas.

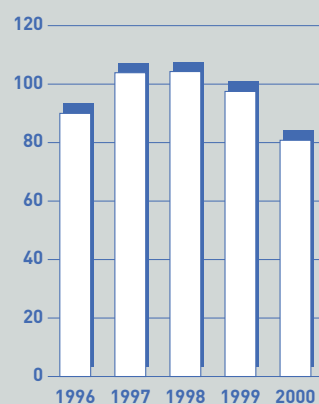
The business year

The Committee proposes to balance the negative result of USD 17.6 mill for 2000 by reducing the contingency reserve to USD 70.2 mill. The main factors contributing to the result were the continuing significant reduction in the international premium levels, in combination with the decline in the equity market. The latter was, however, to a large degree offset by the bull market in fixed income securities.

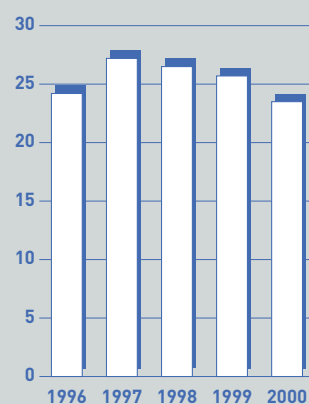
After several years of diminishing rates, the reinsurance market seems to have bottomed out, leaving the 2000 reinsurance costs at 1999 levels.

Incurred claims per vessel for the P&I owners class remain at the 1999 level despite a slight change towards larger vessels. Incurred claims for the P&I charterers class were considerably lower than in 1999, contributing to an improved and very satisfactory result for the fixed business.

Net operating expenses were substantially reduced from 1999 to 2000, reflecting both a more cost-effective organisation as well as weak Scandinavian currencies against the US dollar.



Free reserves
USD mill.



Free reserves per vessel
USD 1000.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

At Skuld, we are in the middle of a major programme of change and restructuring designed to reinforce our position as one of the most attractive P&I Clubs. The change processes are profound and affect all the areas of our business. Some of them were initiated last year – others are new to the current year. They are all responses to needs experienced by our members and to developments in a rapidly evolving marketplace. And they have all been developed and implemented with a sense of urgency. We are, in short, determined to become an even more dynamic and flexible organisation which plays a leading role in the redefinition of the P&I industry and which puts service at the centre of our efforts.

With service at the top of the agenda

A streamlined organisation

We have sharpened our customer focus through the establishment of syndicates. These teams of highly skilled professionals have been set up to serve the members more efficiently, with the ability to recognise and respond to the entire range of their needs. A new management team is also in place: young, dynamic and committed to building the Skuld of the future. These and a number of other organisational reforms designed to simplify our procedures have helped us reduce our operating expenses considerably. And, I am proud to say, this has been achieved in parallel with a noticeable improvement in our service level and customer satisfaction.

Financial improvements

The financial results for 2000 are far from satisfactory. And in February this year, Standard & Poor, based on publicly available information, altered its rating of Skuld from BBBpi to BBpi. All the more reason to rejoice then, that we are starting to see the effects of the organisational measures which have been taken.

At the February renewals, for the first time in many years, we got acceptance for a noticeable increase in premiums. Throughout the year, we have also continued to restructure our tonnage portfolio, which now boasts a significantly improved loss record.

We have reviewed our reinsurance programme and switched major parts of it to Swiss Re, in a cost-effective deal which gives us more cover for our money. Also on the positive side, our low-risk investment strategy paid off handsomely, with a yield of 5.7% on the working capital, in a weak and turbulent financial market. We are confident that S&P's rating is a temporary state of affairs and will invite the agency to engage in interactive ratings of Skuld in the future. Such a change will shed new light on Skuld's strengths and allow for an improved assessment.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

But despite a number of positive factors, market conditions prevented us from posting a positive result last year. Even so, we hope to be able to avoid asking members for a supplementary call. The Committee has concluded that the matter should be put on hold, leaving the decision to the AGM in 2002.

Mutual associations may adopt additional calls - it is inherent in their system. In the case of Skuld, successive Boards of Directors have pursued a strategy of not building excessive reserves, and covering unforeseen discrepancies between initial premiums and actual costs through supplementary calls. History has proven that this strategy has given Skuld's members very competitive premium levels over time. Even so, the strategy is subject to constant discussion and review by Management, Board and Committee. Several members would like to see more emphasis on long term predictability when it comes to premiums. These views will be taken into consideration in the future financial management.

The way forward

In the P&I business, size and business volume is of importance. As a medium-sized Club with high ambitions, Skuld plans to grow in order to strengthen its position relative to others. We will do so by continuing to focus on improving the quality and range of our products and services. We intend to secure new business, particularly in growth markets like Greece and the Far East.

We also need to secure growth through other means, responding to the winds of consolidation blowing into our markets. That is why we want to keep our doors open to different kinds of co-operative arrangements. We acknowledge the potential benefits of pooling resources in selected areas, drawing on different kinds of expertise. Skuld is capable of reaching its ambitious targets without leaning on others, but we do not want to rule out the benefits of strategic partnerships, of achieving synergies through the establishment of wider platforms.





SKULD 遠東公司現有成員七人，實力雄厚，熟諳英國，美國及中國法律實務。我們不但了解遠東航業，且與之保持良好關係。可向所有會員提供包括保賠險和抗辯險在內的所有保險和服務。連續兩年被《亞洲海運》讀者推舉為亞洲最佳保賠協會之一。

TEAM HONG KONG

Our seven-person strong team in Hong Kong really knows the Far East shipping region, and makes a full scale of P&I and FDD services available to members. Offering considerable expertise in English, American and Chinese law, Skuld has been voted one of the best P&I Clubs in the region two years in a row by Maritime Asia Awards.



Since 2000 Skuld’s organisation has been syndicate-based. Objective: efficient and non-bureaucratic handling of all aspects of the members’ business, with on-line communication and a high level of service.

A total of ten syndicates, ranging from 2 to 15 staff members, have each been allocated certain geographical markets which are placed under their ‘jurisdiction’.

The reorganisation of Skuld into syndicates is designed to ensure sharper customer focus, single points of contact and even better service.

THE MANAGEMENT REVIEW

In our previous annual report we noted that the 1999 policy year had been difficult for Skuld and for the entire P&I industry. The overcapacity in the market became even more pronounced in 2000 which, again, saw a reduction in the international premium levels and therefore led to increased pressure on profitability. Skuld had to post a loss of USD 17.6 mill for 2000. However, a number of positive signs point to improved performance in the time ahead.

Business operations: Positive signs in a difficult year

Strong growth in tonnage, followed by reduction

During the course of policy year 2000 Owners' P&I tonnage entered with the Association grew from 35.8 to 39.2 mill GT (corresponding to 9.5%). This additional volume came mainly from organic growth of existing members expanding their fleets and continuing their loyal support of Skuld.

The renewal for 2001 reduced Skuld's book of Owners' tonnage to 36 mill GT. The percentage reduction in number of vessels was larger than the corresponding tonnage figure, due to a large number of small vessels leaving the Club. Hence, the average vessel GT is larger than before. The reduction in volume must be seen in the context of the Club's determination to achieve real and required rate increases at the renewals and the decision to request supplementary calls for policy years 1998 and 1999 beyond previous budgets. The largest volume reductions occurred in the Norwegian market, whilst the US and Dutch markets saw the largest reductions in relative terms.

The average volume of Charterers' tonnage was above the level of the previous year. The underlying trend for this product is a healthy volume expansion.

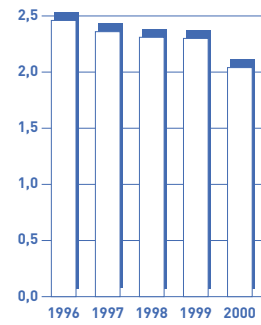
The volume of rig and offshore business was mainly stable throughout the year, with fleet additions nevertheless coming from several new entries of FPSOs, mainly former tankers being converted to new tasks. The 2001 renewal also gave rise to some business leaving the Club.

The volume of FDD business was stable during the year.

Claims costs continuing to decrease

Contrary to expectations, the reduction in claims costs continued throughout the year. As of 20 February 2001, claims for the policy year 2000 (including International Group Pool claims) were estimated at USD 101.8 mill - a decrease of 13.8% from 1999.

The reported number of incidents with estimates above zero was 3,499 - a reduction



P&I Owners - claims per GT

For P&I Owners, there is a marked reduction in claims per GT.

of 12% from the year before. The number of incidents above USD 250,000 went down from 41 to 39.

Claims per vessel were approximately on the same level as in 1999. The claims decline should be seen against several factors: change in the fleet mix towards larger vessels (which produce fewer claims per GT), focus on quality shipping at governmental and industry level and individual owners' and operators' quality and loss prevention programmes.

Last but not least: enhanced efforts by the Association aimed at improving the quality and composition of the entered tonnage, most recently at the latest renewals. It is expected that these efforts will continue to pay dividends in the years to come.

Positive investment results

The Club's investment income for the year was USD 18.4 mill, corresponding to a return of 5.71% which compares favourably with the insurance industry as a whole and with our own benchmark (5.15%). The positive figure, achieved in a year of turbulence in the financial markets, may be ascribed to the prudent investment policy of the Association, with equity constituting a maximum 25% of total assets.

Due to sharply falling USD interest rates, Skuld's fixed income benchmark yielded an exceptional 9.46% in 2000. The fixed income managers of the Association added 54 basis points in excess return, resulting in a portfolio return of 10.00%.

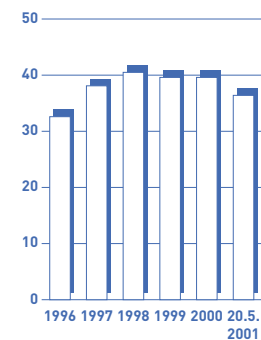
In the equity market, investors lost confidence in future growth in company earnings and triggered a bear market which sent the market prices tumbling in the 4th quarter (of Skuld's financial year). For the full year, the global equity market was down 8.71% as measured by Skuld's benchmark index Morgan Stanley All Country World Index. In comparison, Skuld's indexed equity portfolio returned a negative 8.61%, outperforming the benchmark by 10 basis points.

Supplementary calls on hold

Skuld posted a loss of USD 17.6 mill for 2000. The question of unbudgeted supplementary calls has been put on hold. Effectively, if the Committee does recommend such calls to be made, the decision will be left with the AGM in 2002.

Should the Association decide against supplementary calls, the balance will be offset against reserves. The revised level of free reserves now stands at USD 80.8 mill, well in excess of the minimum requirements stipulated by Norwegian banking and securities authorities. And management is working on new schemes designed to further strengthen the level of reserves.

The Association has traditionally observed a policy of reserve-building commensurate only with its volume of business and the financial requirements of the Club. In broad terms, this policy is likely to be adhered to in the future, as well.



Entries (excl. FD&D and Rigs) Owners P&I

Assets: Beating benchmark and industry average

Asset allocation

In order to improve the management of financial risks, Skuld has worked with a major risk consultancy firm, drawing on its in-depth expertise. Based on the Value at Risk methodology, a risk model has been developed with risk limits established within the new framework. One vital question affecting the risk/return ratio is the distribution of assets between equities and fixed income securities. Skuld has realised that market timing (overweighting an asset class based on value perceptions) will involve additional risk not justified by the potential for additional return. The distribution between equities and fixed income is therefore fixed at a level which reflects Skuld's tolerance for investment risk.

Asset class strategies

Skuld has worked with a leading investment consultancy firm in the development of asset class strategies and selection of asset managers. Skuld has chosen to concentrate its efforts on earning excess returns over benchmark on the fixed income asset class where the fund volume enables the use of active strategies which are efficient in terms of cost and risk control. Consequently, the global equity portfolio is managed passively, benefiting from optimal diversification and low management costs.

Change in Standard & Poor rating

In February 2001 Skuld was informed that the international rating company Standard & Poor (S&P) had changed its rating of Skuld from BBBpi to BBpi.

The decision, published in S&P's Marine Mutual Edition 2000, was based on the unsatisfactory operating results for 1999 which triggered the decision to levy unbudgeted supplementary calls for that year (and for 1998).

The decision followed a period of continuously softening insurance markets which produced extensive operating deficits in the industry as a whole. Over a period of five years, Skuld's premiums have declined by more than one third, despite stability in terms of entered tonnage. Although partly offset by continued reduction in claims levels and positive returns on investments, the Association opted, prudently, to support the balance as outlined. Even so, it is the view of the Association that the aggregate premiums levied on the members compare favourably with the premiums levied by other P&I Clubs.

Members have been repeatedly informed of the extensive measures taken over the last year to streamline the organisation and which are outlined below. Additional measures designed to strengthen the Association's competitive position are being considered.

THE MANAGEMENT REVIEW

Standard & Poor's rating of Skuld was based on public information, a methodology which is liable to produce an incomplete view of the entity under evaluation. Accordingly, the Association has elected to enter into a process of interactive rating, i.e. submitting the Club to direct communication and through due diligence by the rating agency.

Skuld is confident that the range of organisational measures taken and the hardening insurance markets, in combination with the interactive rating, will bring the Association back to BBB or hopefully even better.

The organisation: change and improvements

A new Skuld

Following the change of top management in March 2000, an ambitious restructuring programme was set in motion. Within the next few months the following action was taken:

- A new top management group was appointed
- One Skuld office was closed down (Stockholm), another one opened up (Piraeus)
- The overall staff was reduced by approximately one quarter
- The former structure was replaced by a syndicate-based organisation, built around a total of ten syndicates - nine based on geography, one on global energy matters.

The cost reduction derived from the changes is estimated to be in the order of USD 3-4 mill. More importantly: a new organisation has been designed, more focussed, more market-oriented and more co-ordinated in the management of its customer relationships.

The changes and the thinking that triggered them, which were extensively communicated to members and to other business partners and associates, have been well received. Their effective implementation is, however, a continuous process, along with the development and adoption of additional measures. In the course of 2001 the Association will concentrate on actions designed to strengthen its strategic position in the market and its capital basis.

Bringing system to knowledge management

Skuld has allocated its resources to create a knowledge management system tailored specifically to its needs. The Club has considerable in-house expertise in all its offices and wishes to capitalise on this by building its own knowledge and information databases to prevent duplication of work and reduce time spent on locating information. A Knowledge Management Officer has been appointed. Paper reference sources in the Oslo office have been reorganised into an Information Centre, using existing "dead space" in open areas to display newspapers, magazines, books, law reports, seminar

THE MANAGEMENT REVIEW

papers, videos etc. Registration on the database, bar coding and a desktop lending system make it possible to locate these reference works without leaving one's desk.

The potential of a Skuld software program has been realised to create an information database with its own search engine, which automatically opens other programs (whether Word, PowerPoint, Excel, Lotus Imaging, PDF files, videos, CD-ROMs etc). This enables ready desktop access to electronic documents within the Club's internal system, and access to its Internet favourites. Resources have also been diverted from purchasing multiple paper subscriptions of newspapers and magazines to electronic subscriptions. Skuld's new Intranet is a tool for dissemination of internal and external news and information, with direct access to the information database, electronic subscriptions and the Internet. All of these measures directly benefit employees in all Skuld offices.

Members benefit indirectly from this knowledge management through the ability of the staff to provide better service and through indirect access to the Club's information sources. It is hoped that in time members will also be able to profit from the knowledge management systems via an Extranet.

IT - project behind but on track

IT development projects are renowned for being behind schedule. Regrettably, Skuld's project is no exception in this respect, but there is little comfort in sharing this destiny with others. Management is confident, however, that the project will be completed and the new systems up and running by the end of 2001 and in time for the 2002 renewal.

First and foremost, the new systems will lift the Club's business data onto state-of-the-art technological platforms enabling data acquisition and interrogation that have been impossible in the past. The new technological platform will furthermore make it possible for the Club to provide member-specific account statements and other exchange of information in an electronic form. In the first phase of the new systems, members will draw on the benefits through more expedient documentation routines, enhanced data transparency plus resolution and hopefully fewer errors.



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TEAM PIRAEUS

Ο στόχος του Skuld είναι η εξυπηρέτηση των μελών μας όπου αυτά βρίσκονται. Η δημιουργία ενός γραφείου Skuld στον Πειραιά, επανδρωμένου από επτά έμπειρους επαγγελματίες, μας επιτρέπει να παρέχουμε άμεσες και αποτελεσματικές υπηρεσίες στα μέλη μας τα οποία εδρεύουν στην παγκοσμίως ηγετική ναυτική κοινότητα.

Skuld's objective is to serve our members wherever they are. The establishment of a Skuld office in Piraeus, manned by seven experienced and highly qualified professionals, allows us to provide hands-on service to our members based in the world's leading shipowning community.

With its streamlined and more cost-effective organisation, Skuld is well-positioned to reap the harvest of a strengthened P&I market.

THE MANAGEMENT REVIEW

Risk management

From the member's perspective, a P&I policy is risk management in practice: to identify a risk, assess it and, as one possible measure, to seek insurance to cover it. From the Club's perspective the assessment of a potential member is indeed risk management, although of a different flavour.

Two questions arise:

1. Should we offer cover to this potential member?
2. If yes, what rate is required from the member in order to ensure long-term balanced results for the Club?

The answers to these two seemingly simple questions may be long and complex. Consequently, Skuld has over the past 12 months been working on an internal Risk/Pricing project in order to streamline the Club's risk selection process, thereby laying the ground for a positive underwriting result.

Risk evaluation and pricing of potential new members is one issue. But, P&I business is fundamentally a long-term relationship, so what about the continued risk evaluation of members with vessels entered several years ago? Is the quality level of the tonnage and the operations still satisfactory? The answer, or at least possibly the best source to the answer, lies in our own hands, namely in the historical claims record of the member. Better integration of own IT systems as well as links to external sources will in the near future simplify the task. In the meantime, Skuld has been following a campaign-type process by focussing on particular market segments, tonnage-wise and geographically. Based on assessment of claims developments, review of Port State Control (PSC) statistics and other sources, Skuld has initiated survey programmes of selected vessels. Such surveys have triggered reservations on cover, in some cases also termination of cover. In most cases, however, the survey results have been satisfactory.

In the course of policy year 2000, Skuld carried out a total of 136 surveys of new and existing vessels. Eight vessels were declined cover and a further 14 were given a reservation on cover.

Communicating with members

Skuld attaches the greatest possible attention to communicating effectively with its members - and with other important business partners. Throughout the policy year, more timely information than ever before was communicated to the outside world.

But the number of hard copy circulars has started to decline, increasingly being replaced by information transmitted electronically. This transformation is a win-win situation from a cost as well as a time point of view, not least for an Association with a world-wide membership such as Skuld. In the years to come the Club will continue to develop and refine its website www.skuld.com as the no. 1 channel of communications with members and others.



TEAM COPENHAGEN

De to syndikater i København ser det som deres fornemste opgave at fastholde Skulds førende position i de markeder vi repræsenterer. Den 11-mand store besætning i Syndikat 2, der bl.a. består af helbefarne og kompetente søretsadvokater, servicerer reder- og befragtermedlemmer i København, på Fyn og i Tyrkiet.

Our two syndicates in Copenhagen ensure that Skuld maintains its leading position in the markets under their jurisdiction. The 11-man strong team in Syndicate 2, inter alia manned by qualified lawyers with long experience in maritime law, serve shipowners and charterers based in Copenhagen, on Funen and in Turkey.

THE MANAGEMENT REVIEW

Meetings and seminars

Electronically transmitted information should and will not, however, be allowed to render face-to-face dialogue obsolete. There will always be an important place for one-to-one and other types of meetings. In that spirit, Skuld seeks to continue its programme of seminars, in diverse cities, countries and regions such as Scandinavia, Hamburg, Rotterdam, Singapore, Taipei, Hong Kong and Beijing. The Club does not plan to scale down the scope of these events - rather the opposite.

The same goes for the publication Beacon which is produced in three or four issues per year - and which hopefully continues to be appreciated as an important link of communication between Skuld and the readers of the magazine.

Skuld School

Skuld School emerged in 2000 in a revamped version. From its low-key origins, advertised by word of mouth, the School was properly advertised and marketed in 2000 and located in outside facilities suitable for presentational purposes. The result was a great success: over-subscription and attendance by some 75 'students' who represented members and other business partners around the world.

Committee meetings and the Annual General Meeting

The Skuld Committee, consisting of thirty representatives of the Association's international membership, met twice in 2000. The first meeting, chaired by the President at the time, Mr Sten-Crister Forsberg, was held in Lübeck on 16 June. The Committee approved the 1999 accounts and endorsed the recommendation for a 30% supplementary call for the 1999 policy year (of which 20% was budgeted) and an additional 10% supplementary call for the 1998 policy year.

The Committee was also given an extensive briefing on the developments in the wake of the change of management at the Association earlier in the year, and on the additional plans under consideration. The views of the Committee were duly noted.

The autumn meeting took place on 1 December in Moscow by kind invitation of Sovcomflot (who also arranged a visit to the impressive Kremlin Armory Chamber). The meeting was chaired by Mr Veli-Matti Ropponen (of Fortum Oil and Gas Oy, Finland), who was elected President by the Annual General Meeting in August. The Committee reviewed the situation of the Association and decided to levy a general increase of 10% in the premiums for 2001. It also adopted a proposal to change the system of payment of premiums.

As usual, the Annual General Meeting, held in Oslo on 23 August, was well attended. Winding up the meeting, Mr William O'Neil, Secretary General of IMO, gave a presentation on the subject, "ERIKA - what now".

THE MANAGEMENT REVIEW

Reinsurance: New schemes will offset rising costs

Curbing rising reinsurance costs

A considerable share of the Association's costs is reinsurance. During the second half of the 90s, overcapacity led to a cost reduction for Skuld in the order of 70 to 75% - reflecting the general overcapacity in the market which had pushed the premium levels for primary insurers downwards.

There are now clear signs of the level once more turning upwards, evidenced by the terms of individual contracts signed in the market. We are, therefore, pleased to announce the following news: 1. The Club's own reinsurance contracts have been moved to Swiss Re, triggering reduction of costs, and 2. The General Excess Loss Reinsurance Contract, signed by the International Group, was renewed as of 20 February 2000 for a period of two years, at unchanged terms.

The reinsurance programmes

Skuld's reinsurance arrangements can be divided into three groups:

a) General Excess Loss Reinsurance Contract

Under the common reinsurance contract applicable to all Clubs that are members of the International Group of P&I Clubs, they are subjected to the same limits and Club retentions. The Club retention is USD 5 mill any one vessel any one event. The Pool layer is USD 25 mill any one vessel any one event, in excess of the USD 5 mill. The Group also takes a 15% share of the layer between USD 30 mill and USD 100 mill.

Furthermore, the Group shares 10% of the layer between USD 30 mill and USD 500 mill.

The contract is limited to:

Owners, including bareboat and demise charterers:

USD 2,000 mill any one vessel any one event, except for oil pollution risks which have a limit of USD 1,000 mill.

Charterers, excluding bareboat charterers:

USD 300 mill each entry, except for oil pollution risks which have a limit of USD 100 mill subject to an aggregate limit of USD 300 mill any one vessel any one event.

b) Club retention and pool claims reinsurance contract

Most of the claims which a P&I Club faces are within the Club's own retention. Claims which exceed the retention, and which may be sizeable, will be shared by the other Club members of the Group and covered by reinsurance.

THE MANAGEMENT REVIEW

The Club's exposure is very much related to the type, size and quality of the entered fleet. Within the Club retention, the exposure is a function of the scope of each individual claim, and their number.

In order to minimise the claims exposure, Skuld has bought a reinsurance protection for part of its own retention. The reinsurance also covers Skuld's share of the Pool claims.

In a cost-effective transaction, the Association recently decided to move to Swiss Re for this cover. The reinsurance provides the required protection against unexpected frequency of loss. Overall, it secures a degree of predictability and cost and budget control which we would not have been able to achieve without it.

c) Freight, demurrage and defence (FDD)

The limit of the FDD policy is USD 5 mill any one ship any one dispute. We have bought reinsurance protection for USD 4,5 mill in excess of USD 500,000.

Other reinsurance contracts

Skuld also offers additional covers supplementing standard P&I. The covers are supported by various reinsurance arrangements depending upon the type of cover and limits.

A reinsurance contract is normally a long term agreement, as both parties need a certain period of time to balance premiums versus claims. Nevertheless, we continuously review all our reinsurance agreements in order to maintain optimal solutions for the Club.

Industry trends: Significant changes to rules and regulations

Bunker oil pollution

A draft convention on a strict liability regime for bunker oil pollution damage has now been concluded. The convention provides for claimants' right of direct action towards insurance or other forms of financial security provided by shipowners/operators, most usually P&I cover. The requirement for compulsory insurance is for practical reasons subject to a tonnage threshold, and to shipowners/operators' right to limit liability under national or international liability regimes.

The convention shall enter into force one year after having been approved by 18 states, and it is expected that the P&I Clubs will be asked to issue certificates on behalf of states along the same procedure as under the CLC Convention.

THE MANAGEMENT REVIEW

Erika: the aftermath

The ERIKA incident off the Brittany coast in the winter of 1999 prompted the EU to force through radical changes to the existing CLC and Fund Conventions. Although the final result remains to be seen, it seems reasonable to expect an outcome, at least for European waters, where a third tier of compensation funded by cargo interests will be laid on top of the existing CLC/Fund regime. Under the EU Commission's proposal, the overall amount will constitute EUR 1,000 mill. At a later stage it is expected that a more general revision of the conventions will take place including consideration of the tanker owners' contribution to the overall sharing of compensation. In the meantime, the P&I industry, with the support of shipowner organisations, may find it necessary to introduce a voluntary system that increases the minimum limit for tankers under CLC (in those States which have opted for the third tier). The purpose of the voluntary system would be to maintain the historic balance in claims sharing between shipowners and cargo owners.

In parallel, IMO agreed in October 2000 to raise the limits under the CLC/Fund regimes by 50%, meaning that as of 2003 a total compensation amount of approximately SDR 203 mill will be available, out of which shipowners' maximum share will be SDR 90 mill.

Compensation for passengers

Work started in 1998 in IMO on a new Protocol to the Athens Convention which deals with liability of carriers for death and injury claims to passengers. The initiative was initially founded on a desire to introduce compulsory insurance for all types of ships, until it became apparent that this goal was impossible to reach. The objective now is to secure claimants' rights. It is also expected that the introduction of compulsory insurance for passenger vessels would have the effect of raising ships' standards generally.

The present position is that IMO is considering a draft Protocol containing

- a two-tier system of responsibility with a reversed burden of proof
- a per capita limit on liability
- compulsory insurance with a global limit per incident.

A salient point is whether owners of passenger vessels will be required to provide evidence of financial security up to their limit of liability. If so, as seems likely, this may have a bearing on the level of cover which P&I Clubs can provide and their reserving practice when taking into account claims which may arise by way of anticipatory guarantee. Will the Clubs be prepared to issue certificates of financial security providing for direct action against the Club in an amount of SDR 350,000 (or 500,000) per passenger, taking into account that a vessel is capable of carrying 3,000 passengers?



Norges stolte arv som sjøfartsnasjon er nært knyttet til entreprenør-ånden til de mange redere langs vår lange kyst. I dag betjenes medlemmene langs kysten fra Stavanger i sør til Trondheim i nord av syndikatet i Bergen, som beskjeftiger 6 personer og som er seg fullt bevisst den store utfordringen forbundet med å være den største P&I-klubben i området.

Norway's proud heritage as a seafaring nation is closely linked to the entrepreneurial spirit of the many shipowners along our long coastline. Today, the shipowning community along Norway's western coast is served with dedication by our six-person strong team in Bergen that fully recognises the challenge that comes with being the leading P&I Club in its area.

TEAM BERGEN

The Board of Directors herewith presents the Association's Annual Report and Accounts for 2000, which is Skuld's 104th year of business. The consolidated accounts include the Association's subsidiaries APS Generalagenturet for Skuld, Copenhagen; Skuld AB and Skuld AB (New), Stockholm; Skuld (Far East) Ltd., Hong Kong; Skuld Bergen AS; Skuld Hellas Ltd., Piraeus and Skuld Re, Luxembourg.

The latter is a wholly owned reinsurance company. The others act as the Association's management companies in their respective areas.

The consolidated accounts also include the Association's affiliated Club in Bermuda, Skuld Mutual P&I Association (Bermuda) Ltd., Hamilton. In accordance with the two Associations' bye-laws, their members enjoy joint membership in both Associations, which act as co-insurers on a joint basis with equal insurance conditions and bye-laws. The Associations participate on a joint basis in the International Group of P&I Associations' pooling arrangements and excess loss reinsurance contracts entered via the Pool. The accounts are consolidated and the Bermuda Association is subject to Bermuda supervision and reporting.

The financial results as of 20 February 2001 are dominated by a continuing soft market and volatile investment market.

The net premium volume is below last year, reduced from USD 125 mill to USD 89 mill. This reduction is partly also due to a continuing improvement in segments of members' loss record and a reduced tonnage volume.

The Associations' results reflect in broad terms the situation in the international marine insurance market. It is, however, gratifying to note that the objectives for the 2001 renewals were reached providing higher premiums for the retained tonnage. This is a signal for a positive development.

The greater part of the Association's finance portfolio consists of USD fixed interest. At the end of the policy year, equities' share of the portfolio was 21.8%, while bank account deposits amounted to 8.9 %. Total return on investments was 5.71%, compared to a benchmark return of 5.15%. Nevertheless, the proceeds from the investments, USD 18.4 mill, were lower than those of the previous year USD 23.8 mill.

Against this background, a positive claims picture for own account has only a moderately positive impact on the end result.

The accounts are based on a continued business and will after the transfer of USD 17.6 mill from the contingency reserve balance with a budgeted 20% supplementary call and amount to USD 70.2 mill.

Gross outstanding claims are down to an estimated USD 392.5 mill from USD 415.2 mill, whilst estimated net outstanding claims for own account is USD 274.0 mill versus USD 300.1 mill last year.

The 2000 policy year will be kept open until further maturity is giving full information of the year.

The 1997 policy year is closed.

There have been no changes to the regulatory framework for the Associations' business activities. Skuld is subject to Norwegian requirements for technical reserves as set by The Norwegian Banking, Securities and Insurance Commission ("Kredittilsynet"). An escalation plan is set for the minimum reserve requirements reaching full level in 2003. The Association satisfies the requirements at the 100% level.

The Associations' reinsurance arrangements continue unchanged. Claims in excess of the own retention USD 5 mill and up to USD 30 mill is covered in the Pool to which all the clubs in the International Group of P&I Associations contribute. Claims in excess of USD 30 mill are compensated under the Group's market reinsurance arrangements limited at USD 2,000 mill. A mutual overspill will be covered up to approximately USD 4,300 mill, with the exception of oil pollution claims and claims for charterers' entries which are limited to USD 1,000 mill and USD 300 mill respectively. Part of the Associations' Own Retention is reinsured together with an excess over an aggregate of the Pooling contributions.

As reported in the Annual Report for 1999, a profound restructuring plan for the organisation was put into effect during the year in order to reduce costs and increase efficiency. The new structure includes the introduction of a branch office in Piraeus, Greece, with the aim of offering increased service to the Greek membership, which previously was serviced from the Copenhagen Office. The Bergen Office was also strengthened. The new organisation is built on the concept of providing the international membership with fully self-contained groups servicing identified and dedicated regions. There are 4 such groups or "syndicates" in Oslo, two in Copenhagen and one in Bergen, Hong Kong and Piraeus respectively. The Board and the Management have great expectations in the reshaped organisation, which already shows good results at renewal and has harvested positive marks from members.

In the light of the experiences with the restructured organisation, the efficiency – and cost-reducing measures which were carried out last year and the encouraging tendency of the increased premium level at the 2001 renewal, the Board foresees a development on a longer term giving reason for an expectation of an increase of the associations' financial resources.

The ISO Certification by Det norske Veritas is continuously being upgraded since incepted in 1999.

At the close of the year, there were 135 fully employed in the Association's offices. The working conditions are good with good internal communications.

The activities do not affect the external environment.

The Board wishes to express its appreciation and thanks to members, staff and management for their support and dedication during a year which has been more challenging than in many years, both with respect to internal and external relations.

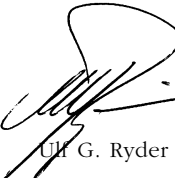
Oslo, 9 May 2001



Erik Behn


Terje Adolfsen


Erik Holtegaard


Tom Jeltsen

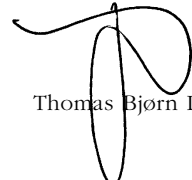

Ulf G. Ryder


Felix H. Tschudi


Nils Aardal


Kjeld B. Horn


Leonardo Polito


Thomas Bjørn Larsen

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

BALANCE SHEET AT 20.02.01

<i>All figures in USD 1000</i>	Note	2000	1999
Technical Account			
PREMIUMS AND CALLS			
Gross premiums and calls	2	111 616	150 103
- Reinsurance premium		-22 516	-24 745
Earned premiums and calls for own account		89 099	125 358
CLAIMS INCURRED			
Gross claims paid		158 979	119 355
- Reinsurance recoveries	3	-12 068	-2 013
Gross change in estimated outstanding claims		-44 434	17 832
- Reinsurers share	3	-6 078	-10 215
Claims incurred for own account		96 400	124 959
OPERATING EXPENSES			
Acquisition costs	4	10 288	11 603
Administrative expenses		13 595	16 199
Net operating expenses		23 883	27 802
Balance carried to non-technical account		-31 183	-27 403
Non-technical account			
Balance from technical account		-31 183	-27 403
INVESTMENT INCOME			
Investment income		16 254	15 758
Unrealised gains		-7 687	3 441
Realised gains on investments		9 812	4 585
Total investment income		18 378	23 783
INVESTMENT EXPENSES			
Investment management expenses		936	794
FOREIGN EXCHANGE ADJUSTMENTS			
Foreign exchange adjustments		-3 790	-3 139
Balance before tax on ordinary activities		-17 531	-7 553
TAXES			
Taxes		71	908
Balance carried to contingency reserve		-17 603	-8 461

	Note	2000	1999
ASSETS			
FINANCIAL ASSETS			
Real estate	5	7 948	7 060
Mortgages		3 220	4 013
Other loans		446	5 364
Shares	6	66 210	76 754
Bonds	6	203 737	217 852
Total financial assets		281 561	311 044
DEBTORS			
Members and brokers		20 119	7 464
Estimated supplementary calls		13 374	34 187
Reinsurers	7	318	490
Other debtors		342	327
Total debtors		34 153	42 468
OTHER ASSETS			
Fixtures and equipment		6 215	4 890
Pension assets		2 276	2 046
Cash at bank		31 708	38 554
Total other assets		40 198	45 490
PREPAYMENTS AND ACCRUED INCOME			
Prepayments and accrued income	8	3 334	3 399
Total assets		359 247	402 401
LIABILITIES			
TECHNICAL PROVISIONS			
Gross provision for outstanding claims		392 514	415 244
Reinsurer's share		-118 499	-115 102
Provisions for outstanding claims for own account		274 015	300 143
Contingency reserve	9	70 151	87 689
Technical provisions for own account	10, 11	344 166	387 832
PROVISIONS FOR OTHER LIABILITIES			
Pension liabilities		4 225	2 055
Provision for taxation		12	172
Total provisions for other liabilities		4 237	2 227
CREDITORS			
Members and brokers		3 122	2 925
Reinsurers		1 692	1 629
Other creditors		3 742	4 160
Total creditors		8 556	8 715
ACCRUALS AND DEFERRED INCOME			
Accruals and deferred income	12	2 289	3 627
Total liabilities		359 247	402 401

 Erik Behn	 Terje Adolfsen	 Erik Holtegaard	 Tom Jebben
 Ulf G. Ryder	 Felix H. Tschudi	 Nils Aardal	 Kjeld B. Horn
 Leonardo Polito	 Thomas Bjørn Larsen	 Douglas Jacobsohn	

Note 1 Accounting Policy

The accounts are prepared in USD, but in the official accounts for Skuld USD have been converted to NOK and Norwegian language has been used. Furthermore, the accounts have been prepared in compliance with the new regulations from the Norwegian Banking, Security and Insurance Commission. These new regulations are based on EU accounting standards.

The USD accounts are based on the official accounts, but some reclassifications have been made to make the accounts more comparable to the accounts of the other P&I clubs.

- Provisions for bad and doubtful debts are included in calls and premiums.
- Interest on overdue payments is included in calls and premiums
- Claims management expenses are included in claims incurred.

There are also some deviations from the official accounts in the Notes.

BASIS OF ACCOUNTING

The accounts are prepared on an annual accounting basis and include the following:

- All premiums for policies commencing during the year.
- The cost of claims incurred and reinsurance for the current year.
- Any adjustments relating to earlier years.
- Operating expenses and investment income.

CONSOLIDATION

The consolidated accounts include the accounts for Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd., and the Association's subsidiaries, Skuld AB, Skuld International Bermuda Ltd., Skuld Bergen AS, Skuld Far East Ltd., Skuld Hellas Ltd., Skuld Re and APS Generalagenturet for Skuld, Copenhagen. In the accounts, shares in subsidiaries, receivables from and payables to subsidiaries, and transactions between the Association and the subsidiaries, have been eliminated.

CHANGES IN ACCOUNTING POLICIES

In the accounts for year 2000 the Association's share of other Association's Pool claims has been reclassified from reinsurance premiums to claims incurred. In addition, part of the investment management expenses have been reclassified to administrative expenses. The figures for year 1999 have been adjusted accordingly.

CALLS AND PREMIUMS

Calls and premiums include gross calls and supplementary calls, less return premiums and provisions for bad and doubtful debts. These calls and premiums are the total receivable for the whole period of cover provided by the contracts commencing during the accounting period, together with any premium adjustments relating to prior accounting years. The calls and premiums include provisions for estimated future supplementary calls in respect of open policy years.

CLAIMS

The claims expenses include all claims incurred during the year together with claims management expenses. The technical provision for claims outstanding includes an element of claims incurred but not reported (IBNR). Historical data is used in assessing IBNR. Provision for the cost of claims handling is not included.

REINSURANCE PREMIUMS

These include premiums payable to market underwriters, charged to the consolidated income and expenditure account on an accruals basis.

REINSURANCE RECOVERIES

Reinsurance recoveries are accrued to match relevant claims, and include estimated recoveries on estimated outstanding claims.

OPERATING EXPENSES

Account is taken of accruals and prepayments in arriving at operating expenses.

FOREIGN CURRENCY

Assets and liabilities have been translated to USD at the rate of exchange on the balance sheet date.

INVESTMENTS

Account is taken of accrued interest on fixed interest securities and deposits; dividends are credited when receivable. The investments are assessed at market value on the balance sheet date.

Note 2 Premiums distributed by country

<i>Country</i>	<i>Premiums</i>	<i>%</i>
Norway	28 740	25.7%
Nordic countries excl. Norway	18 300	16.4%
Greece	12 296	11.0%
Rest of Europe	32 475	29.1%
USA	7 751	6.9%
Far East	8 600	7.7%
Other	3 454	3.1%
Total gross premiums and calls	111 616	100.0%

Total gross premiums and calls for the year 2000 were USD 111.6 mill. For the year 1999. Total gross premiums and calls were USD 150.1 mill. which included unbudgeted supplementary calls of 10% for policy years 1998 and 1999.

Note 3 Reinsurance recoveries including change in estimates

	<i>2000</i>	<i>1999</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Recoveries under pooling agreements	17 940	3 777
Recoveries under Group excess loss policies	-7 277	-1 402
Recoveries under sundry reinsurance policies	7 483	9 853
Total reinsurance recoveries	18 146	12 228

Note 4 Acquisition costs

	<i>2000</i>	<i>1999</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Salary, etc.	3 671	2 690
Commissions	5 575	7 781
Other acquisition costs	1 043	1 131
Acquisition costs	10 288	11 603

Note 5 Real estate

The book value of real estate is USD 7.9 mill. The market value of real estate, as assessed by an independent appraiser, is USD 18.5 mill.

Note 6 Financial investments

	<i>2000</i>	<i>1999</i>
	<i>Market value</i>	<i>Market value</i>
	<i>1000 USD</i>	<i>1000 USD</i>
SHARES:		
Norwegian shares	125	132
Foreign shares	66 086	76 622
Total shares	66 210	76 754
BONDS:		
Treasuries	13 578	35 139
Asset Backed Securities	25 662	31 841
Mortgage Backed Securities	90 155	90 539
Corporate Securities	74 342	60 333
Total bonds	203 737	217 852

Note 7 Reinsurance debtors

	2000	1999
	USD 1000	USD 1000
Other associations' relating to Pooling agreements	109	352
Group excess loss reinsurance arrangements	0	0
Other reinsurance arrangements	210	138
Total reinsurance debtors	318	490

Note 8 Prepayments and accrued income

	2000	1999
	USD 1000	USD 1000
Accrued interest	1 763	1 868
Other prepayments	1 571	1 531
Prepayments and accrued income	3 334	3 399

Note 9 Contingency reserve

	USD 1000
Contingency reserve as per 20.02.2000	87 689
Balance carried forward to contingency reserve	-17 603
Change in accounting policies	64
Contingency reserve as per 20.02.2001	70 151

Note 10 Provisions for outstanding claims by Policy year

<i>All figures in USD 1000</i>	2000	1999	1998	Closed years	Total
Gross estimated outstanding including IBNR	68 612	58 234	41 838	178 756	347 440
The Association's estimated share of other associations' pool-claims including IBNR	10 565	9 174	7 643	17 693	45 074
Gross provision for outstanding claims	79 177	67 408	49 481	196 448	392 514
Estimated outstanding recoveries from:					
Pooling agreements	0	14 483	0	42 177	56 660
Group excess loss	0	0	0	43 274	43 274
Other reinsurers' share	7 104	1 717	2 833	6 911	18 565
Total estimated outstanding recoveries	7 104	16 200	2 833	92 362	118 499
Provisions for outstanding claims for own account	72 073	51 208	46 648	104 086	274 015
Contingency reserve	-24 539	-12 180	3 552	103 319	70 151
Technical provisions for own account	47 534	39 027	50 200	207 405	344 166

Note 11 Technical provisions for own account

	2000	1999
	USD 1000	USD 1000
P&I		
Gross estimated outstanding including IBNR	334 916	358 369
The Association's estimated share of other associations' pool-claims including IBNR	45 074	45 004
Gross provision for outstanding claims	379 990	403 373
Estimated outstanding recoveries from:		
Pooling agreements	-56 660	-39 431
Other reinsurers' share	-60 930	-74 799
Total estimated outstanding recoveries	-117 590	-114 230
Provision for outstanding claims for own account	262 400	289 143
FD&D		
Gross estimated outstanding including IBNR	12 524	11 871
The Association's estimated share of other associations' pool-claims including IBNR	0	0
Gross provision for outstanding claims	12 524	11 871
Estimated outstanding recoveries from:		
Pooling agreements	0	0
Other reinsurers' share	-909	-872
Total estimated outstanding recoveries	-909	-872
Provision for outstanding claims for own account	11 614	10 999
TOTAL P&I AND FD&D		
P&I and FD&D	274 015	300 143
Contingency reserve	70 151	87 689
Technical provisions for own account	344 166	387 832

Note 12 Accruals and deferred income

	2000	1999
	USD 1000	USD 1000
Accrued reinsurance premium	2 289	3 627
Other accruals	0	0
Accruals and deferred income	2 289	3 627

Note 13 Off-balance sheet items

"Bank Guarantees" and "Club Letter of Guarantees" amounting in total to USD 271.9 mill have been issued in connection with claims, of which the latter make up by far the greater part. The face values of these guarantees greatly exceed the expected payments from the related claims. The expected payments from these claims are fully covered in the provisions made for outstanding claims.

Note 14 Financial risk

Interest and currency risks are integrated in the Asset-Liability Management. Principally, asset- and liability exposure are matched, facilitating immunisation where changes in assets value are accompanied by a corresponding change in the present value of future claims payments. The currency mix of liabilities is endeavoured matched with a similar amount of assets. Interest sensitive investments are managed around a constant duration, fixed at the weighted claim duration of 2.1 years. The stock portfolio is managed passively, benchmarked against the Morgan Stanley All Country World Index. This implies a risk profile consistent with the general market, without overweight towards specific stocks or sectors.

Note 15 Free reserves

	2000	1999
	USD 1000	USD 1000
Contingency reserve	70 151	87 689
Market value of property in excess of book value	10 633	9 833
Free reserves	80 784	97 523

The market value of the property has been assessed by an independent appraiser.

Note 16 Policy year statement by class as at 20.02.01

<i>All figures in mill. USD</i>	2000	1999	1998
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2000		108.7	125.8
year to 20th February 2001	93.5	0.7	-0.1
	93.5	109.4	125.7
Supplementary calls levied in:			
years to 20th February 2000			18.8
year to 20th February 2001		24.4	9.0
	0.0	24.4	27.8
Estimated supplementary calls	13.0	0.0	0.0
Total calls and premiums	106.5	133.8	153.5
Reinsurance premiums	-23.8	-24.2	-28.0
	82.7	109.6	125.5
Claims incurred net of reinsurance recoveries	-99.2	-115.2	-119.9
	-16.5	-5.6	5.6
Net operating expenses	-22.1	-26.5	-24.8
Net investment income	13.1	19.0	21.9
Taxes	-0.1	-0.9	-0.5
	-25.7	-14.0	2.2

The amount of USD 13.0 mill shown as estimated supplementary calls for policy year 2000/01 reflects 20% of advance calls.

FD&D

Advance calls, releases and other gross premiums charged in:
years to 20th February 2000
year to 20th February 2001

Supplementary calls levied in:
years to 20th February 2000
year to 20th February 2001

Estimated supplementary calls

Total calls and premiums
Reinsurance premiums

Claims incurred net of reinsurance recoveries

Net operating expenses
Net investment income
Taxes

Total P&I and FD&D

The amount of USD 0.4 mill shown as estimated supplementary calls for policy year 2000/01 reflects 20% of advance calls.

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.

Commission has been allocated to policy year while other operating expenses have been allocated to policy year corresponding to the accounting year. Net investment income had been allocated to policy year corresponding to the accounting year.

Note 17 Policy year statement as at 20.02.01 - Mutual and Fixed business

<i>All figures in mill. USD</i>	2000	1999	1998
MUTUAL			
Total calls and premiums	88.0	115.2	133.8
Reinsurance premiums	-18.5	-19.0	-22.0
	69.5	96.2	111.8
Claims incurred net of reinsurance recoveries	-91.5	-102.7	-105.2
	-22.0	-6.5	6.6
Net operating expenses	-18.8	-23.1	-21.9
Net investment income	11.0	15.8	18.3
Taxes	-0.1	-0.7	-0.4
	-30.0	-14.5	2.6

FIXED

Total calls and premiums
Reinsurance premiums

Claims incurred net of reinsurance recoveries

Net operating expenses
Net investment income
Taxes

Total Mutual and Fixed business

	2000	1999	1998
	4.4	4.7	4.5
	4.4	0.3	0.0
	4.4	5.0	4.5
			0.5
		0.7	0.2
	0.0	0.7	0.7
	0.4	0.0	0.0
	4.8	5.7	5.2
	-0.3	-0.2	-0.2
	4.5	5.5	5.0
	-2.6	-2.9	-2.6
	1.9	2.6	2.4
	-1.4	-1.7	-2.0
	0.6	0.9	1.0
	0.0	0.0	0.0
	1.1	1.8	1.4
	-24.5	-12.2	3.6
	23.3	24.3	24.8
	-5.6	-5.4	-6.1
	17.7	18.9	18.7
	-10.2	-15.3	-17.3
	7.5	3.6	1.4
	-4.8	-5.1	-4.9
	2.7	4.0	4.6
	0.0	-0.2	-0.1
	5.4	2.3	1.0
	-24.5	-12.2	3.6

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.

Commission has been allocated to policy year while other operating expenses have been allocated to policy year corresponding to the accounting year. Net investment income had been allocated to policy year corresponding to the accounting year.

Note 18 Average expense ratio

<i>All amounts in USD 1000</i>		2000	1999	1998	1997	1996
OPERATING COSTS						
Net operating expenses as shown in the accounts		23 883	27 802	25 922	26 737	26 427
Taxes		71	908	483	684	330
Claims handling costs		-7 473	-9 701	-8 887	-10 220	-9 901
Operating expenses relating to non-P&I classes		-1 410	-1 728	-1 959	-1 363	-758
Operating costs for P&I business	A	15 071	17 281	15 559	15 838	16 098
PREMIUM INCOME						
Calls and premiums earned		111 616	150 103	148 993	153 193	160 261
Earlier policy years		-73	-11 547	-2 400	-1 154	-1 900
Adjustments in later accounting years				11 987	500	
Premiums relating to non-P&I classes		-5 035	-5 420	-4 981	-4 929	-4 649
Premium Income for P&I business	B	106 508	133 136	153 599	147 610	153 712
INVESTMENT INCOME						
Investment Income		13 652	19 850	26 012	23 992	16 366
Unrealised gains/losses		0	0	-3 935	2 865	9 102
Investment income allocated to non-P&I classes		-614	-893	-993	-1 209	-1 146
Investment Income allocated to P&I classes	C	13 038	18 957	21 084	25 648	24 322
RATIO, A/(B+C)		12.6%	11.4%	8.9%	9.1%	9.0%
Average expense ratio		10.2%				

This translation from Norwegian has been prepared for information purposes only.

To the Annual Meeting of Assuranceforeningen Skuld (Gjensidig)

AUDITOR'S REPORT FOR 2000/2001

We have audited the annual financial statements of the Assuranceforeningen Skuld (Gjensidig) as of February 20, 2001 showing a net result of NOK 0 after reversal of contingency reserves of NOK 84.516.904 for the Association and NOK 90.113.842 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Association's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing standards in Norway. Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing standards, an audit also comprises a review of the management of the Association's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Association and of the Group as of February 20, 2001, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Norway
- the Association's management has fulfilled its duty to maintain the Association's accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and generally accepted accounting practices
- the information in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Oslo, May 9, 2001
DELOITTE & TOUCHE

Terje Boasson
State Authorised Public Accountant (Norway)

MANAGEMENT



Douglas Jacobsohn President Chief Executive Officer	Arthur Pilkington Executive Vice President Head of Claims	Eric Jacobs Executive Vice President Head of Marketing	Tor Erik Andreassen Executive Vice President Head of Underwriting	Svein Sollund Executive Vice President Head of Finance & Accounting
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THE BOARD OF DIRECTORS

Emil Gamborg, Chairman
(resigned March 2001)
Wilh. Wilhelmsen ASA, Oslo, Norway

Erik Behn (Chairman following
Gamborg's resignation)
A/S Dampskibsselskabet TORM,
Copenhagen, Denmark

Ulf G. Ryder
Stena Bulk AB, Gothenburg, Sweden

Felix H. Tschudi
Tschudi & Eitzen Holding A/S, Oslo,
Norway

Erik Holtegaard
Rederiet A.P. Møller, Copenhagen,
Denmark

Terje Adolfsen
Bergesen d.y. ASA, Oslo, Norway

Tom Jepsen
Frontline Ltd., Oslo, Norway

Nils Aardal
J.O. Odfjell AS, Bergen, Norway

Kjeld B. Horn
Skuld, Oslo, Norway
(elected staff representative)

Leonardo Polito
Skuld, Oslo, Norway
(elected staff representative)

Thomas Bjørn Larsen
Skuld, Copenhagen, Denmark
(elected staff representative)

THE COMMITTEE

Veli-Matti Ropponen, President
Fortum Oil and Gas OY,
Finland

Rina Amoretti Alessandri
Amoretti Group,
Italy

Harald Andresen
Fred. Olsen & Co., Norway

James A. Barker
Interlake Steamship Company,
USA

Helfried Beutner
RIGEL Schiffahrts GmbH
Germany

Charles H. Bundrant
Trident Seafoods Corporation,
USA

George S.K. Chao
Wah Kwong Shipping Holdings Ltd.,
Hong Kong

Lamarr Cooler
Norwegian Cruise Line,
USA

Timothy S.C. Cottew
Osprey Maritime Limited,
Singapore

Jørgen Dannesboe
Armada Shipping SA,
Switzerland

Kaj Engblom
Rederi AB Engship,
Finland

Karl-Erik Nitter Foss
Star Shipping A/S,
Norway

Erik Gløersen
Jahre Dahl Bergesen AS,
Norway

Capt. John G. Goumas
J.G. Goumas (Shipping) Co. S.A.,
Greece

Tan Chin Hee
Pacific Carriers Ltd.,
Singapore

Tagir K. Izmailov
SOVCOMFLOT,
Russia

Wang Chun Lin
Worlde Shipping Ltd
Hong Kong

Dick H. Lundqvist
Lundqvist Rederierna AB,
Finland

Capt. Alexander S. Migunov
Primorsk Shipping Corp./
Sinchart Shipping Pte. Ltd.,
Singapore

Frederik van Monsjou
Spliethoff's Bevrachtungskantoor B.V.,
The Netherlands

Jan-Eric Nilsson
Rederi AB Gotland,
Sweden

Pericles S. Panagopoulos
Superfast Ferries S.A.,
Greece

Børge Rosenberg
A/S J. Ludwig Mowinckels Rederi,
Norway

Trygve Seglem
Knutsen OAS Shipping AS,
Norway

Ole B. Stene
Barber Ship Management,
USA

John Staal
Clipper Denmark A/S,
Denmark

John P. Tavlarios
General Maritime Corporation,
USA

Bjarne Tvilde
KIL Shipping A/S,
Denmark

Hans Peter Westfal-Larsen
Westfal-Larsen Management A/S,
Norway

Johan Petter Waage
Bergen Bulk Carriers A/S,
Norway

SKULD OFFICE ADDRESSES

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The Annual General Meeting will be held at 15:00 hours 16 August 2001 at Norges Rederiforbund (Norwegian Shipowners' Association), Rådhusgt. 25, Oslo, Norway.

