

εποικοδομητική διαχείριση των απαιτήσεων

medlemmernes behov

behov

## our members' perspective

P&I insurance shouldn't have to be a top priority for shipowners. It is our job at Skuld to make sure it isn't. This is why a service attitude and customer orientation are cornerstones of our culture. The basis for this culture is an ability to apply our members' point of view. This identification is the key to improving the level of our services.

### THIS IS SKULD

Assuranceforeningen Skuld is a leading marine insurer which provides Protection and Indemnity (P&I) and Freight, Demurrage and Defence (FDD) cover to shipowners and charterers all over the world. The purpose of the Association is 'mutual insurance against liabilities and losses incurred by shipowners in direct connection with the operation of the entered vessels'.

### THE SERVICE PROVIDER

As a mutual association, the Club is owned and controlled directly by its members. Established in 1897 in Oslo, Norway, some 50% of the tonnage entered in the Association continues to be Scandinavian-controlled, reflecting the Club's traditional balance between Scandinavian and non-Scandinavian business. Its other big markets are most Western European countries plus Russia, Singapore, China incl. Hong Kong and USA. With its established and strong position in 'mature' markets such as Norway and Denmark, the largest growth potential is currently perceived to be in Greece and Asia.

In addition to its head office in Oslo, Skuld has offices in Copenhagen, Bergen, Piraeus and Hong Kong. Worldwide, the organisation has a staff of some 140, all employed directly by the Association. The Club can also draw on an extensive network of correspondents – such as New York-based Anchor Marine, which, as Skuld's exclusive correspondent, assists in the large number of US-related cases.

In 2000, Skuld was reshaped into an organisation of nine syndicates, each with overall responsibility for one or more geographical markets. There is also a separate energy syndicate, based in Oslo and with global responsibility in the energy field.

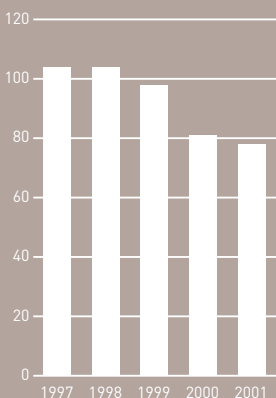
Skuld is one of thirteen members of the International Group of P&I Associations which work closely together in reinsurance and industry matters of common interest.

## Skuld highlights

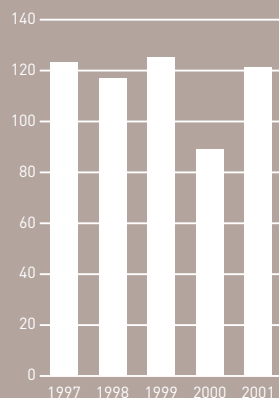
- Soft markets continue, but renewals for 2001 end up with rate increase – and certain tonnage decline
- 2002 policy renewals: more than target of 30% general increase (owners P&I and FDD) is achieved
- Following several years of negative results, the Association sees surplus of USD 3.3 mill in 2001
- Gross claims increase from USD 115 mill (accounting year 2000) to USD 139 mill (2001)
- 3% return is achieved on investments, probably the highest in the industry
- Contingency reserve increases by USD 8 mill to USD 78 mill. This corresponds to USD 93 mill with claims booked at net present value
- Supplementary calls for 1999 (15%) and 2000 (45%) are unanimously adopted by extraordinary General Meeting
- Association enters into strategic partnership with Royal & SunAlliance
- Skuld’s head office building in Oslo since 1936 is sold, at record price
- ‘Bottom end of the scale’ reinsurance programme is successfully renewed and expanded for policy year 2002
- New IT system is in place

## Industry highlights

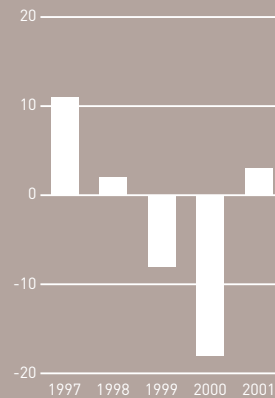
- Events of 11 September trigger focus on war risk cover and generate questions over future capacity of reinsurance markets
- IMO addresses wide range of security matters in maritime industry
- Third layer of compensation for oil pollution is adopted, and P&I clubs accept increase in ship-owners’ liability
- Marginal investment incomes shift clubs’ focus towards improvement in underwriting results
- Marine premium levels continue to point upwards – and P&I clubs seek general increase up to 30%.



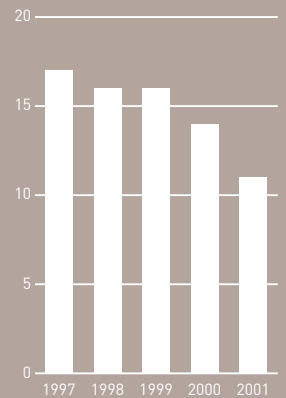
Free reserves per year (USD mill)



Premium and calls for own account (USD mill)



Balance carried to contingency reserve (USD mill)



Administrative expenses (USD mill)



det hele handler  
alt handler om service Στόχος

# It's all about service

Over the last two years, Skuld has undergone more profound changes than perhaps at any time since World War II. A new, different and slimmer organisation has been set up, a new office has been opened – whilst others have been closed, a strategic alliance has been entered into, two captives and an extended, new reinsurance programme have been acquired, and a range of new products have been made available to members.

This package of measures has been driven by one common objective: to provide even better service to our members, ultimately the only purpose of our business.

Skuld has come a long way in implementing its programme of change and restructuring which was initiated in 2000 and designed to reinforce its market position. The programme continued in 2001, a difficult year for the international economy and world community at large, and not only because of 11 September. Even so, we achieved a return on our investments of 3% (previous year 5.7%) – presumably higher than that of any other Group club for the second year in a row. The result is proof that our conservative long-term investment policy pays off in a difficult market. The equity portion of our assets yielded a return of -14%, a typical result in last year's declining market. But our active investments in fixed income securities have more than offset this negative result and posted an overall positive return.

## **Loyal members**

Public focus on Skuld in 2001 centred to a large extent on supplementary calls. It goes without saying that no club treats matters of this nature lightly, nor the publicity associated with it. Having said that, it is gratifying to note the large degree of acceptance with which the news was met and the membership's willingness to endorse the concept of mutuality – i.e. to take the broad view of their club's performance. Owners and charterers concur that before passing judgement, a number of factors have to be assessed:

## om service 這就是服務的精髓所在 είναι η εξυπηρέτηση

- Premium level over time
- Quality and reliability of service
- Personal relationships
- Financial predictability
- Loss prevention

Skuld communicates in a number of ways with its members. Most important is the daily feedback relayed to all levels of our organisation in the conduct of ongoing business.

From time to time, we also solicit members' views in a more systematic and broader fashion. In 2001, we carried out a member satisfaction survey, relating to all key aspects of our operation. The members can be pleased with the outcome of the poll! As for Skuld, we are proud to note the positive response, not least to our claims-handling performance.

### People's business

P&I insurance is a people's business. It is not an anonymous cash machine in a hole in the wall or the number on a life insurance policy. Procedures and documentation are essential, but perhaps more than in any other business, personal relations are the key ingredient. Without mutual trust and ability to understand the other party's trade and problems, we cannot do our job.

That is why we have to think long-term on recruitment and training. We need to offer employment terms required to hire first-class people. Our recruitment practices have to be international in scope. Today, Skuld has staff members of 14 different nationalities. The figure is likely to be higher in the future.

### Climate surveys

Office climate surveys are conducted regularly. The results steadily improve, despite the difficulties and the extensive changes of the last few years which have drawn heavily on the staff's ability to adjust to new realities.



### **More growth...**

This period has been one of consolidation. It followed a period of strong growth, throughout most of the 90s. As for the foreseeable future, I anticipate a development which will be different from that of the last decade. I foresee a return to growth, but more selective, geographical as well as tonnage-wise, than the growth experienced during the 90s.

### **...and diversification**

Members can also look forward to more diversification. Last year saw a major extension of our smorgasbord of additional covers. We need to go further down that road – if members so request. We have to be responsive, do our utmost to meet our principals' demands.

Documentation and routines are undergoing major change. Our new IT platform, now in use since November last year, will provide big opportunities for improvement of procedures, for collection of and access to data and for future online communication. We are only seeing the end of the beginning!

### **Reinsurance**

Over the last five years before 2002, the global reinsurance market had seen combined technical ratios going up from 108 to 150%. 11 September did nothing to alleviate the uncertainty. For 2002, pricing saw a general increase of 25%, for certain loss-prone areas such as aviation and energy up to 300%.

The Group market contracts, which were negotiated at a time of maximum uncertainty in the market, ultimately ended up with price increases varying from 20 to 100% for the various layers of cover.

Reinsurance at club level has become increasingly common. Only two Group clubs do not purchase reinsurance for their own retention.

Following the increasing imbalance and uncertainty in the market, the clubs' reinsurance arrangements came under pressure. Large-capacity contracts were either no longer available or only at substantial price increases (up to 600%). Most clubs were happy if they could renew their reinsurance covers within existing structures.

The strategic objectives guiding Skuld's reinsurance programme are i.a. to:

- Reduce the budgetary uncertainty, i.e. the likelihood of future unbudgeted calls
- Identify alternatives in case of reduction of market capacity

Following 11 September the Association established early contact with key market players, in order to map fresh threats and opportunities.

Eventually, the Swiss Re programme and other special covers were renewed at expiring terms, but with certain reductions in retention, at the expected rate increases of 15 to 25%.

The Swiss Re programme, Swiss Re now being Skuld's core reinsurer, includes cover in all principal areas of the Association. The programme has left Skuld with substantially reduced net claims costs, as well as a more homogeneous claims profile.

At Group level, ongoing discussions concerning 2003 and 2004 include the possibility of increased club retention. Skuld's alliance with Swiss Re will be helpful in handling this possible situation.

The more uniform levels of net retention will allow the Association to consider an even more comprehensive form of balance sheet protection as soon as Reinsurance Risk Premium rates again start to point downwards and Skuld's financial situation has stabilised further. The measures taken will also assist the Association in its consideration of a possible pursuit of an interactive rating.

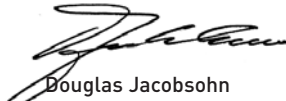
## Results

We must admit that the turnaround process has been more difficult than anyone anticipated in March 2000. It is, however, safe to say that we have come a long way in improving the overall status of the Association.

To illustrate the challenges we have faced and still face, let me remind you of some of the significant changes in this period:

- Reduction of staff by 25 %
- New management team, new syndicate-based organisation
- Closing of the Paris and Stockholm offices
- New IT platform
- Development and implementation of a new pricing tool and risk assessment policy
- Acquisition of 2 captives (improving our free reserves by USD 5 mill)
- Entry into partnership with RSA/Codan
- Renewal of the ISO certificate
- Change of reinsurance partners, new reinsurance structure
- Sale of the Oslo office building (USD 12.7 mill profit)
- Increased IBNR by USD 8 mill

The effects of the above and many other measures are clearly at hand. But although they will improve future profits, further premium increases will be required. We have increased our IBNR by USD 8 mill. The contingency reserve has risen to USD 78 mill. We do not expect, however, to break even or make a (small) profit until policy year 2003.



Douglas Jacobsohn  
President & CEO

Year 2001 was another difficult year for the P&I industry – and for Skuld. The investment markets entered a period of even heavier turbulence and premium levels did not sustain the cost of claims. Skuld adopted supplementary calls for 1999 and 2001, but achieved the highest return on investments, in the industry, for the second consecutive year.



During the course of the policy year, we saw a decline in tonnage of 2.3 mill GT, bringing the total volume down to 33 mill before the 2002 renewals which reduced Skuld's book of owners' tonnage to 29 mill GT (corresponding to a 14% reduction). The reduction should be seen in the context of the Board's decision to increase the overall premium level and the supplementary calls for the years 1998-2000. Against this background, the reduction in tonnage was somewhat smaller than expected.

Despite the difficult climate, the Association was able to post a modest bottom line profit of USD 3.3 mill and to add USD 8 mill to its contingency reserve. On a GT basis, the reserves have increased to USD 2.7 per ton.

## A difficult year – but signs of improved markets get stronger every day

The Association's Management firmly believes that the industry will only recover when premium levels are lifted to a level sufficient to meet the cost of claims. This is why we opted for a 30% general premium increase at the 2002 renewals for all members. In addition, further increases were levied for members with unsatisfactory loss records or risk composition. This approach resulted in an overall increase of 33% and a reduction of exposure through increased deductibles.

Charterers' business saw a slight reduction in volume compared to the previous year. Management is pleased to note that an overall premium increase of 14% was achieved in this highly competitive market.

The volume of rig and mobile offshore business and FDD business was stable during the year.

### **Setting fair premiums**

Most insurance companies are funded by two main sources of income: premiums and return on investments. For the P&I Clubs, investment returns have in good years been a sizeable source of income. But with the current financial markets, this source of income cannot be relied upon in the years to come.

Investment returns and the consumption of funds can, for a limited period only, balance negative underwriting results. In the long run, premium levels must therefore be sufficient to cover claims and related club expenses.

***Distribution of costs – a complex undertaking***

P&I premiums shall cover the member against liability for various categories of claims (i.e. risks), ranging in magnitude from a few thousand dollars up to a nearly inconceivable limit of USD 4.3 billion. Leaving reinsurance arrangements aside, it is obvious that the fair distribution of costs related to major claims is a complex matter. No member can be expected to pay back the cost of multi-million dollar claims – this is what insurance is for. However, under the mutual umbrella, members in sum must pay for the Club's risk exposure, including large claims.

Our historical data give us guidance about expected costs for different kinds of claims. We know that average cargo claims cost more when they occur on chemical tankers than on bulk carriers, and we know that personal injury claims are frequent on cruise ships. The historical data provide us with fairly accurate information concerning vessel types, flags, trades, classification societies etc. Using our year-long compilation of statistical data for the whole of the Association, we can, with a high degree of certainty, attribute expected claims costs to specific vessel types, as an integral part of the risk analysis.

By default, most potential members will at the outset argue that they are better than the rest, and that *their* premiums should be downscaled accordingly. In Skuld, we are sharpening the scientific focus on our underwriting activities. Hence, we require factual data to support pricing and premium adjustments.

***Identifying the real risk***

When renegotiating their P&I premium, members often rely on their own performance, expressed through their loss ratio. Needless to say, a good performance with few claims and limited amounts of compensation shall influence the member's premium. This will also be the case in the future. However, the true insurance elements for the rare, but costly claims is a different story. Such cases will only exceptionally materialise in a member's statistics. Their rare occurrence does, however, not necessarily make their associated risks insignificant. Risk is a product of probability (frequency of occurrence) and consequences (costs) when such events do happen. Hence, even the best of historical records will not imply that the insurance premium should be nil – insuring against the unexpected has a price. Member statistics are only one piece in a bigger picture in the setting of premiums. To carry a fair share of the risk of large claims is a fundamental element in a mutual system. This is why Skuld puts a lot of effort into setting transparent and fact-based premiums – into assessing and pricing risks and covering them accordingly. This is the mandate we have been given by our members, the clients and owners of the Club.

**Preventing loss**

Not all potential members become members. The pre-quotations risk analysis focuses on ascertaining whether a potential member meets the Club's quality requirements and standards – not all candidates do. Every now and then we find that what on paper may look promising, looks the opposite if we survey the vessel in question. Pre-entry and random surveys of existing members are still important elements of Skuld's loss prevention programme.

In the course of policy year 2001, Skuld carried out a total of 126 surveys of existing and new vessels. A total of ten vessels were declined cover and a further 16 were given a reservation on cover.

**Claims on the rise? No indication of that, so far**

The claims development (gross claims, owners' product) in the period 1997-2001 is shown in the top graph (right).

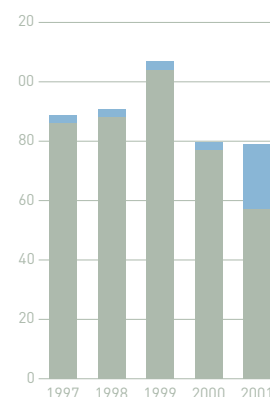
Claims consist of known reported claims and IBNRs (Incurred But Not yet Reported claims), i.e. unreported claims and underestimated amounts on known cases. Due to the long-tailed nature of the P&I business, the most recent years also contain the highest amounts of IBNRs.

The *gross claims* say little unless they are related to the real exposure. Claims per vessel during the same period is shown in the bottom graph.

The graph shows gross claims as well as claims for the Club account. Given the random nature of claim behavior and size, one would expect *gross claims* to vary considerably. Some years contain Pool claims, whereas others do not. Year 2001 does not to date contain reported Pool claims.

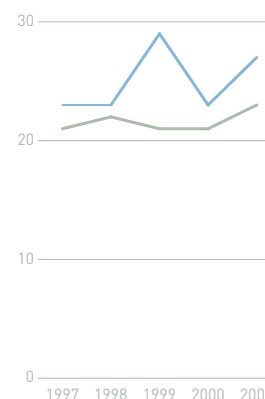
On this basis, Management can draw no conclusions related to trends or development of *gross claims*, which so far are within an expected range of variation.

*Claims for own account* show a small gradual improvement up to 2001, which sees a slight increase to a level comparable to that of 1997, but the overall variation is only 10%. As outlined above, year 2001 still includes IBNR amounts equal to 30% of total anticipated claims. These figures are therefore still highly uncertain. As mentioned elsewhere, the Club has developed a new IBNR model and increased the overall IBNR reserves. The model is more conservative than previously, but does represent our best estimate for unreported or under-reported claims.



Claims development owners (gross) (USD mill)

■ Reported  
■ IBNR



Claims per vessel (USD 1000)

— Gross/Vest  
— FOA/Vest

Kompliserte saker er i de beste hender

Με το Skuld, οι δύσκολες

再困難的個案，Skuld 亦能妥善加以處理 Kompliserte

– Difficult cases in the best possible

NAME: REDERIET OTTO DANIELSEN

BUSINESS: DRY CARGO

ESTABLISHED: 1944

HEAD OFFICE: COPENHAGEN, DENMARK

PRESIDENT: ULLA DANIELSEN

LISTED: NO - PRIVATELY OWNED

TURNOVER: NOT PUBLISHED

ASSOCIATION WITH SKULD: ALL OWNED AND  
CHARTERED VESSELS ENTERED WITH SKULD

hos Skuld

υποθέσεις βρίσκονται στα καλύτερα

sager er i de bedste hænder hos

hands with Skuld

ULLA DANIELSEN



‘BONGO DANIELSEN a 2900 DWT dry cargo vessel ran aground at the approach to Sal Rei, Cap Verde. Skuld put their own lawyers on the case. They worked continuously to secure a satisfactory outcome, for us and themselves. The matter confirmed previous experience that with Skuld's claims handlers difficult cases are in the best possible hands.’

In sum, we must draw the conclusion that *claims for own account* over the past five years seems to be fairly stable, not developing significantly in any direction, neither in volume nor in distribution between different categories.

No new claims exceeded the Association’s own retention with the Pool.

Of the larger claims reported in 2001, there is no particular category of claims into which the majority falls. They are spread among the usual types of casualties, i.e. groundings, collisions, pollution, cargo claims and personal injury matters.

Two of the cases concerned a capsizing and sinking, and a grounding. The first one resulted in total loss of the ship off the coast of West Africa where the Association found working conditions difficult for the salvors. The other one concerned a (constructive) total loss of the ship and near total loss of cargo in the English Channel. The ship involved in this incident was a dry cargo vessel where bunker spillage was contained; liability for oil pollution and clean-up was thus avoided.

Thankfully, the crews in both cases sustained no serious injuries or fatalities. The crew in the English Channel case was picked up by the rescue services under difficult conditions. Once again, the shipping industry is grateful for the vigilant efforts of individual state rescue services.

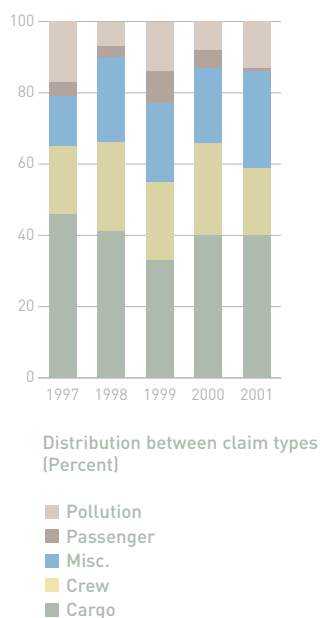
One aspect highlighted by the latter case, is the increased cost to P&I underwriters for salvage charges, a general trend in many accidents.

The implementation of SCOPIC by the International Group has left salvage matters under greater P&I control, with better flow of information, and greater potential for avoidance of much larger liabilities. The benefits of SCOPIC weighed against the increase of costs continues to be an area of focus.

A common factor in many of the larger incidents reported over the past year is the apparent cause of human error. This is not a new trend, but as all ships fall within the ambit of the ISM Code on 1 July 2002, further scrutiny will likely be applied by courts and port states to ship management systems, particularly those bought ‘off the shelf’. One of the aims of the ISM Code is to reduce the incidence of human error.

**Preferred Lawyers Programme & Legal Guidelines**

Skuld is focused on controlling the cost of defending members’ claims whilst maintaining high quality legal services to members. A list of preferred lawyers has been established for England. A similar list has also been drawn up for New York, still a major centre of litigation, which unlike other US ports has no legal firm representing Skuld as a correspondent. The selected law firms have been chosen for their maritime legal expertise. Biographical details together with the fees of the



lawyers who would be instructed in Skuld cases have been compiled and entered into an internal database. This list is continuously updated. The intention is also to enter information concerning those lawyers who perform particularly well or unsatisfactorily in a given case. The overall aim is to assist claims handlers and members in deciding who is the best lawyer, ability- and cost-wise, to handle a particular matter. Those lawyers who perform below expectations will be removed from the list.

In addition, separate sets of special guidelines have been established for lawyers in England and the United States, where most shipping litigation takes place. The aim is to have a structure in place to ensure better case management and cost control. One provision requires lawyers to establish their estimates as to the total exposure at the outset of cases, including legal costs. The claims handler will then discuss these figures with the lawyer and member and decide whether he or she is in agreement. The estimates are subsequently used to decide what tactics should be used to resolve a matter. Reviews of the estimates are made at various intervals in the case. At the conclusion of the case, a comparison is made against the earlier estimates. Lawyers whose estimates are often widely at variance with the end result are less likely to be instructed in future cases.

#### ***Pre-employment Medical Examinations for Seamen***

Illness of seamen on board ships is a source of increasing expense for shipowners. One way of controlling these costs is to conduct pre-employment medical screening of seamen using doctors and clinics of high professional standing. Although the costs of such medical examinations are higher than average, preliminary results from a pilot screening project Skuld established in the Philippines show that nearly 9% of the applicants screened were unfit for service, and accordingly unqualified for certification. Preliminary calculations indicate that there have been substantial savings on the extra outlays incurred. As a result, we are considering extending the scheme.

#### ***Medical Cost Auditing in the United States***

Medical costs in the United States continue to spiral. Skuld has therefore taken steps to bring these costs under control in cases involving members. Anchor Marine, Skuld's general correspondent in the US, has established procedures for review of medical costs prior to settling bills. Anchor has been successful in obtaining reductions in many cases. On total medical fees of USD 475,550.95, a reduction down to USD 322,532.31 was obtained. Audit fees totalled USD 43,317.79. Thus, after payment of those fees, the actual cost amounted to USD 365,850.10. That still represents savings of USD 109,700.85, or approximately 23%.

Først og fremmest: Professionel og effektiv

Πρωταρχικό κριτήριο η εξειδικευμένη και

Kriterium nr. 1: Dyktig og konstruktiv

第一標準：針對各種需求提供完善且具建設性的月

– Criterion no.1: skilled and constru

**NAME:** BERGESEN DY ASA

**BUSINESS:** MARITIME TRANSPORTATION  
AND OFFSHORE SOLUTIONS: LPG, LNG,  
TANKERS, DRY CARGO AND FPSOS.

**ESTABLISHED:** 1935

**HEAD OFFICE:** OSLO, NORWAY

**PRESIDENT:** SVEIN ERIK AMUNDSEN

**LISTED:** OSLO (PRIMARY) AND LONDON (SEC-  
ONDARY) STOCK EXCHANGES. (ADR FACILITY  
USA)

**TURNOVER 2001:** USD 767 MILL.

**ASSOCIATION WITH SKULD:** 22 SHIPS  
ENTERED. (19 VLGCS + 3 VLOOS)




sagsbehandling

εποικοδομητική διαχείριση των κλήσεων

saksbehandling

ctive claims service



GARUP MEIDELL  
DIRECTOR, FINANCE DIVISION

‘Annually, Bergesen buys goods and services from a large number of suppliers, all over the world. The P&I clubs are continuously tested for their compliance with our strict quality requirements. Criterion no. 1 is skilled and constructive claims service. Skuld, which covers our very large gas and ore-oil carriers, has always satisfied these requirements.’

### ***Emergency response***

Skuld maintains emphasis on Emergency Response as the Association still holds the view that an early pro-active response in a serious accident is of benefit to all interests. This is especially true in the present age of high media and local state focus on shipping accidents. It is furthermore the Association's experience that such response ultimately helps to keep costs under control.

With that in mind, Skuld periodically participates with members in their emergency training exercises. The type of participation will vary from planning assistance, via role playing, to simply acting in our normal capacity as P&I underwriters. In the past year, Skuld has participated in a series of exercises with different members, ranging from the large to small. Of the large, one occurred in Denmark, another took place off the western coast of Norway, and a third was held in the Baltic by a Greek ferry member. All of these were arranged by the shipowner members themselves in order to maintain their response readiness. We applaud our members who are active in response training.

The Association's pro-active approach is not limited to training exercises. We believe that direct contact with state response authorities, in an arena more relaxed than the one which develops in an actual incident, can only have beneficial effects for members and the Association. Skuld is thus carrying forward its efforts to liaise with the United States Coast Guard. Meetings and workshops have been held with a number of central officials. More recently, Anchor Marine and Skuld's consultant WAM have initiated a programme of direct contact with Coast Guard officials stationed at larger shipping ports in the United States; these officials are likely to be involved in the event of a serious accident at such port.

### **Securing positive returns on investments in a turbulent market**

An asset-liability study was performed in the course of 2000. As usual in such studies, relevant risks associated with the liabilities (mostly open claims) were analysed in terms of timing (to be paid when) and the currency involved. Skuld's asset portfolio is put together so as to give the highest possible return while at the same time matching (neutralising) the risks involved on the liability side. In conclusion, currency and interest rate hedges as well as optimisation of the asset side is achieved.

This strategy has been consistently adhered to through the turbulence of 2001. In volatile markets, the value of the various portfolio components varies with developments in the financial markets. Skuld has followed a fixed asset allocation strategy. This means, for instance, that as equities fell relative to bonds in the autumn, we continuously re-balanced our equity portion (bought more) in order to maintain the pre-established target of 20-25% equity.

Over the year, equities have constituted 20-25% and bonds some 60-65% of total assets, while the rest is placed in short term money market instruments (cash). The equity portfolio is index-based, i.e. linked to the general development in the stock market, in order to save costs and reduce risk, while the bond portfolio is actively managed, i.e. the fund managers take bets outside the index.

There are two reasons why the bond portfolio is actively managed. Firstly, the portfolio is large enough to support the additional related cost. Secondly, it is tailored to Skuld's liability durations. The average time before a claim is paid is approximately two years, and assets should have the same duration in order to reduce the interest rate risk.

Skuld has for several years used the same portfolio managers, who are closely monitored both in terms of performance and changes within the firms.

In the future, when deciding where the best risk/return within our available risk tolerance can be achieved, a broader risk assessment, which will include U/W risk, reinsurance risk as well as asset side risks, will be made.

#### ***Skuld best performer, for the second year running***

For the second consecutive year, Skuld has placed itself amongst the very best performers in terms of return on assets.

The Club's net investment return for the year was USD 6.2 mill (exclusive of the additional return of USD 12.7 mill achieved through the sale of the Oslo office building). This corresponds to a return of 3%, 35 basis points above benchmark.

Over the last eight years, the bond portfolio has outperformed equities. In 2001 bonds yielded 7.8% while equities yielded -14%.

#### **IT – a multitude of new opportunities**

After a lengthy and often painful process, Skuld finally pressed the button and closed down the existing IT systems which dated back to 1970. In November 2001, Skuld went live with a new Insurance system, a Datawarehouse and an Accounting system.

The insurance system is an 'off the shelf' package for the insurance industry, but with major modifications adapting it to the numerous peculiarities of P&I. It is an all-integrated system that handles member info, policies, claims, reinsurance, payments, invoices, letters etc. By utilising such a system, we are able to get a much firmer and more comprehensive grip on the business processes and make sure that nothing slips in between different and unrelated systems. Underwriters and claims handlers will have all necessary information at their fingertips, and therefore be able to respond quickly to queries and any type of need that may arise.

Πλήρης καταβολή των

Fikk inndrevet hele vårt

短短數週之內就能百分之百取回應收的違約賠償 "Inden for et

– Recovered 100% of claim, within a

NAME: GENERAL MARITIME CORPORATION

BUSINESS: AFRAMAX & SUEZMAX TANKERS

ESTABLISHED: 1995

HEAD OFFICE: NEW YORK, USA

CHAIRMAN & CHIEF EXECUTIVE OFFICER:  
PETER C. GEORGIPOULOS

PRESIDENT: JOHN P. TAVLARIOS

LISTED: NEW YORK STOCK EXCHANGE

GROSS VOYAGE REVENUES 2001: USD 217  
MILLION

NET INCOME 2001: USD 51.2 MILLION

ASSOCIATION WITH SKULD: MEMBER SINCE  
1998. CURRENTLY 1,350,000 GT ENTERED  
WITH THE CLUB

απαιτήσεων εντός δύο εβδομάδων

krav, innen et par uker

par uger var 100% af vort krav innbet

couple of weeks

JOHN P. TAVLARIOS



‘We had a USD \$150,000 demurrage claim with one of the oil majors that refused to pay. Skuld's experienced claimshandlers became involved. Within a couple of weeks, they were able to recover 100% of the claim. Their professionalism was clearly evident to both parties involved.’

The system enables production of reports in all major areas of claims costs. Better tracking of claims handling costs is one of the objectives of the new system, which in turn will allow for closer cost control and management.

Because the system is object oriented, it will also be much easier to introduce new products, reinsurance contracts, joint ventures etc. Lead time to the market will in other words be reduced dramatically.

The Datawarehouse will allow significantly better business transparency, enabling the organisation to understand members' needs, risks, trends etc even better. Standardised reports are produced, and will form the basis for tighter management and control of the organisation. Further into the future, it will also be possible for members to access their own claims statistics online, and make simple changes to their policies.

SAP, which has been chosen as the accounting system, needs no further presentation. It is fully linked both to the insurance system and to the Datawarehouse, thus reducing errors and increasing speed at a low cost.

With the exception of certain early failures, the systems have lived up to our expectations, and Skuld is now on the leading edge in the P&I industry IT-wise. Besides improved operational performance, members will hopefully experience lower costs and quicker adjustments to new needs already in 2002. At a later stage, when the system has been further stabilised and the major benefits have been reaped, the new IT platform represents a very good base for the introduction of new and improved products and services.

### **A strategic alliance**

The strategic alliance with Royal & SunAlliance is initially limited to the provision of a combined Hull and Machinery/P&I policy for vessels up to 3000 GT, at first only marketed to Scandinavian owners, but later expected to be made available to others as well. The product will be fully available as of policy year 2003.

The joint product is based on the assumption that owners of small tonnage will see benefits in having a single policy covering all major marine risks. It enables one point of contact, thereby minimising the administrative and accounting procedures for owners.

In addition, the technical departments of Skuld and Codan Denmark (part of Royal & SunAlliance in Scandinavia) are seeking to co-ordinate their activities, leading inter alia to reduced overall use of surveyors.

The hope is that this practical co-operation can be expanded to other areas as well, such as cross-selling of products and common product development – to the benefit of both organisations' customers.

### **Following 11 September**

In the aftermath of 11 September, there have been a number of significant initiatives by the US Congress to secure global commerce from the threat of terrorism. The impact on all sectors of the maritime transportation industry will be far-reaching.

Recognising that US ports are 'very open and exposed and, by the very nature of their role in promoting the free flow of commerce, susceptible to large-scale terrorism', the US Senate passed legislation last December to address crime and seaport security. The bill calls for a security evaluation of all US port facilities, and for regulations establishing requirements for maritime facility security plans. Also included in the bill, are provisions for assessing the security of foreign ports utilised by US and foreign vessels serving the United States, or which pose high risks of terrorist or criminal activity.

In addition, the Senate bill calls for measures requiring vessel owners to provide cargo manifest information by electronic transmission, directing the Secretary of Transportation to identify to Congress vessels that appear on the Coast Guard Priority Boarding Matrix, or which have presented false or incomplete information concerning manifests, crews, registration and classification.

The House of Representatives has also introduced legislation which focuses exclusively on anti terrorism. The House bill requires vessel and facility 'anti-terrorism plans'. These plans would be mandatory for any vessel or facility that the Secretary of Transportation believes may be involved in an event 'caused by an act of terrorism in the US or on a vessel on a voyage to or from the US that causes catastrophic loss of human life or major economic disruption.'

The US Coast Guard is currently spearheading an effort to address seaport security issues with IMO. The Coast Guard does not, however, consider IMO security recommendations adequate to achieve the necessary enhanced seaport security. It is therefore likely that the US will continue to pursue unilateral measures, as it has done in the past with respect to pollution laws and regulations, unless current international guidelines are strengthened.

Whatever form the final legislation takes, both shipowners and cargo interests will have to comply with a broad range of new and stringent security measures in the future.

Oppfyller våre strenge kvalitetskrav

Ικανοποίηση και των πιο

符合我們對於品質的嚴格要求

Oppfylder vore

-Meets our stringent quality require

**NAME:** WORLDER SHIPPING LIMITED (A SUBSIDIARY OF SINOTRANS GROUP BEIJING)

**BUSINESS:** DRY BULK AND CONTAINER SHIPS

**ESTABLISHED:** DECEMBER 1988

**HEAD OFFICE:** HONG KONG CHINA

**PRESIDENT:** WANG CHUN LIN

**LISTED:** NO

**FLEET:** MANAGING A MODERN FLEET OF 36 VESSELS WITH OVER 1.4 MILLION DWT

**ASSOCIATION WITH SKULD:** LONG HISTORY WITH SKULD INHERITED FROM THE WAH TUNG ERA BACK IN EARLY 1980s. PRESENTLY HAVE 7 MODERN HANDYMAX BULKERS AND CONTAINER SHIPS ENTERED WITH THE CLUB



αυστηρών απαιτήσεων ποιότητας

høje kvalitetskrav

ments

WANG CHUN LIN



‘Our choice of P&I club is based on a number of performance criteria, primarily quality and availability of service, price and long-term predictability. Different alternatives are tested against each other. So far, the conclusion is that Skuld is qualified and equipped to comply with our stringent quality requirements’.

### **Environmental status**

The Association acknowledges its responsibility for applying environment-friendly practices and procedures. Purchase and use of goods and services shall reflect sound environmental principles.

Current status in terms of certain key parameters is as follows:

*Internal:* Sick leave amounted to 5% of total working days throughout the year. No absence was ascribed to injuries caused at work.

*External:* Following the sale of the head office building in Oslo in 2001, the responsibility for compliance with environmental and other public regulations related to the property was transferred to the new owners.

Prior to the sale, the operation of the building was not known to affect the external environment.

The main features of the Association's environmental programme are:

- The head office heating system is sourced on electricity plants fuelled by waste materials
- Used paper and obsolete batteries, computers, printers and other office equipment are returned for recycling, whenever possible
- Video conference equipment has been installed, enabling reduction in scope of travel.

### **Personnel matters**

Skuld's new organisation has been in effect since its implementation in August 2000.

We are pleased to note that our members and staff are satisfied with the new syndicate model. Members receive better and more efficient service and the staff enjoys an even better working environment with closer in-house co-operation – as demonstrated through our Customer Satisfaction Survey (members) and Organisation Satisfaction Survey (staff) in 2001.

Skuld's Management acknowledges the importance of motivating and inspiring the staff through competence building, constructive feedback and development of a positive work environment able to handle change.

Skuld has about 140 highly educated employees who have consistently performed well in a changing work environment. The staff is enthusiastic and proud of working for Skuld. One prominent example was the amount of time and enthusiasm invested into building Skuld's new IT platform, a considerable challenge. The latest renewals were also very complicated, but ended up being ranked among the best in the history of the Association.

We are pleased that Skuld is seen as an attractive workplace able to recruit and retain highly competent staff. The employees express appreciation that our personnel policy emphasises staff advancement possibilities. A fairly large number of staff members have been promoted to managerial positions over the past few years.

Management will continue to see staff development as a matter of high priority.



### **Dynamic changes**

Following the restructuring of the Association into a syndicate-based Association in 2000, more important changes were put in place in 2001. The head office building in Oslo was sold, at a historically high point in the local property market. Apart from its impact on the balance, the transaction will allow more flexible accommodation arrangements in the future, adapted to Skuld's new organisational structure. The move to new premises is likely to take place by the end of 2002.

The strategic alliance with Royal & SunAlliance, Skuld's first ever of its kind, opens significant opportunities for the future. The Board is convinced that the alliance could develop into an important tool for future change for the two parties, drawing on their respective complimentary strengths and activities.

Following a lengthy period of trial and error, a new integrated IT system was finally phased in towards the end of the year. The system will open a number of doors in terms of improved control and management, as well as on-line communication with members.

Two captives have been acquired, in order to balance the volatility in the reinsurance market. They participate in Skuld's own comprehensive reinsurance programme.

### **The policy year**

Net technical result for the year amounted to -USD 16 mill, a considerable improvement on the 2000 figures.

Net financial result was +USD 3,3 mill. which allowed for an increase in contingency reserve to USD 78 mill.

Although starting to point in the right direction, the figures are still unsatisfactory and call for considerable improvement over the next few years.

The 2001 policy year will be kept open until full information of the year is available.

The 1998 policy year has been closed.

### **Positive return on investments**

The Board notes with satisfaction an overall return on investments of 3%, a very positive result by industry standards and bearing in mind the turbulence in the international financial markets. It can be concluded that the considerable efforts invested in developing a policy which aims at striking the best possible balance between positive return on investments and acceptable financial risk exposure are paying off.

In the course of the year, equities' share of total assets have moved between 20 and 25% whilst the equivalent figures for bonds have varied between 60 and 65%.

## REPORT OF THE BOARD OF DIRECTORS

### **Reinsurance**

The current hardening of the premium levels is to a considerable extent reinsurance-driven. The Board, therefore, note with satisfaction that the Association has renewed its reinsurance programme with Swiss Re on favourable terms. The revised and extended contract will further reduce the financial exposure.

### **A transformed Association**

The last three to four years have been a challenging period for the Association. That being said, members will be aware of the cyclical nature of the industry. They will also acknowledge that the adverse climate experienced pales against some of the difficulties encountered in previous times, e.g. a decade ago. And difficult periods have always been followed by periods of growth and prosperity.

Even so, the recent adversities have been countered by some of the most far-reaching actions ever taken by the Association. The net result is a different Club – slimmer, more effective and more adjusted to serve its members well in an increasingly competitive marketplace.

Burdens have been put on the members' shoulders. Extraordinary calls have been adopted for three consecutive years, 1998-2000. Regardless of the well-known fundamental nature of mutuality, this is a decision which no Club adopts lightly, although members no doubt acknowledge that the overall premiums incl. extraordinary calls have been no higher than those charged by other Clubs *without* such calls. The Board has nevertheless noted and appreciated the way in which members have received the Board's recommendations on this point, later adopted by the respective General Meetings.

### **Future strategy**

The range of steps taken has provided the Association with a healthier platform for the future. Acquisition of captives, supplementary calls, an extended reinsurance programme and the actions designed to streamline the organisation have strengthened the financial position and reduced the exposure.

Skuld already fulfills the revised minimum reserve requirements, adopted by the Norwegian Banking, Securities and Insurance Commission ('Kredittilsynet'), which take full effect in 2003. Even so, as we move into a period of expectedly improved market balance, the Board will continue to focus on the same elements – financial strength, cost control, risk management and last but not least – the quality of service to members. Consolidation will still be an important word, meaning providing the best possible service to existing members, rather than actively acquiring new ones.

**Personnel, environment**

At the close of the year, there were 140 staff members fully employed by the Association, which seeks to uphold good working conditions with good internal communication.

The Association is unaware of any activity affecting the external environment. For details of the Club's environmental programme, see page 26 of the the Management Review.

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*The consolidated accounts include the Association's subsidiaries APS Generalagenturet for Skuld, Copenhagen; 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 subject to Bermuda supervision and reporting.*

Jeløya, 14 May 2002



Erik Behn  
Chairman



Nils Aardal  
Vice Chairman



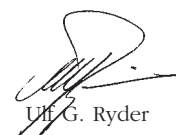
Terje Adolfsen



Arne Birkeland



Tom E. Jebsen



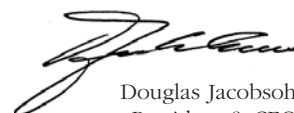
Ulf G. Ryder



Felix H. Tschudi



Peter Wilsund



Douglas Jacobsohn  
President & CEO

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	<i>Note</i>	<i>2001</i> <i>USD 1000</i>	<i>2000</i> <i>USD 1000</i>
<b>TECHNICAL ACCOUNT</b>			
<b>PREMIUMS AND CALLS</b>			
Gross premiums and calls	2	141 557	111 616
- Reinsurance premium		-20 475	-22 516
Earned premiums and calls for own account		<u>121 082</u>	<u>89 099</u>
<b>CLAIMS INCURRED</b>			
Gross claims paid		162 883	158 979
- Reinsurance recoveries	3	-25 917	-12 068
Gross change in estimated outstanding claims		-24 287	-44 434
- Reinsurers share	3	1 731	-6 078
Claims incurred for own account		<u>114 410</u>	<u>96 400</u>
<b>OPERATING EXPENSES</b>			
Acquisition costs		11 362	10 288
Administrative expenses		10 922	13 595
Net operating expenses	4	<u>22 283</u>	<u>23 883</u>
Balance carried to non-technical account		<u>-15 612</u>	<u>-31 183</u>
<b>NON-TECHNICAL ACCOUNT</b>			
Balance from technical account		<u>-15 612</u>	<u>-31 183</u>
<b>INVESTMENT INCOME</b>			
Investment income		13 971	16 254
Unrealised gains		-9 918	-7 687
Realised gains on investments		5 011	9 812
Gain sale real estate	5	12 731	0
Total investment income		<u>21 795</u>	<u>18 378</u>
<b>INVESTMENT EXPENSES</b>			
Investment management expenses		<u>796</u>	<u>936</u>
<b>FOREIGN EXCHANGE ADJUSTMENTS</b>			
Foreign exchange adjustments		<u>-2 064</u>	<u>-3 790</u>
Balance before tax on ordinary activities		<u>3 323</u>	<u>-17 531</u>
<b>TAXES</b>			
Taxes		<u>-13</u>	<u>71</u>
Balance carried to contingency reserve		<u>3 337</u>	<u>-17 603</u>



## BALANCE SHEET AT 20.02.01

	Note	2001 USD 1000	2000 USD 1000
<b>ASSETS</b>			
<b>FINANCIAL ASSETS</b>			
Real estate	5	144	7 948
Mortgages		3 943	3 220
Other loans		849	446
Shares	6	69 344	66 210
Bonds	6	233 912	203 737
Total financial assets		308 193	281 561
<b>DEBTORS</b>			
Members and brokers		30 206	20 119
Estimated supplementary calls		0	13 374
Reinsurers	7	0	318
Other debtors		3 326	342
Total debtors		33 531	34 153
<b>OTHER ASSETS</b>			
Fixtures and equipment		7 933	6 215
Pension assets		1 888	2 276
Cash at bank		59 696	31 708
Total other assets		69 517	40 198
<b>PREPAYMENTS AND ACCRUED INCOME</b>			
Prepayments and accrued income	8	2 961	3 334
Total assets		414 202	359 247
<b>LIABILITIES</b>			
<b>TECHNICAL PROVISIONS</b>			
Gross provision for outstanding claims		399 370	392 514
Reinsurer's share		-113 999	-118 499
Provisions for outstanding claims for own account		285 371	274 015
Contingency reserve	9	77 873	70 151
Technical provisions for own account	10, 11	363 244	344 166
<b>PROVISIONS FOR OTHER LIABILITIES</b>			
Pension liabilities		3 962	4 225
Provision for taxation		38	12
Total provisions for other liabilities		4 000	4 237
<b>CREDITORS</b>			
Members and brokers		4 965	3 122
Reinsurers		5 894	1 692
Other creditors		2 512	3 742
Total creditors		13 371	8 556
<b>ACCRUALS AND DEFERRED INCOME</b>			
Accruals and deferred income	12	33 586	2 289
Total liabilities		414 202	359 247

Jeløya, 14 May 2002

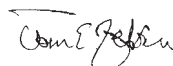

Erik Behn  
Chairman

Nils Aardal  
Vice Chairman


Terje Adolfsen



Arne Birkeland



Tom E. Jebsen



Ulf G. Ryder



Felix H. Tschudi



Peter Wilsund


Douglas Jacobsohn  
President & CEO

## NOTES

### Note 1 Accounting Policy

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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, Skuld Re II, Skuld Re III 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 2001 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 2000 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	31 027	21,9%
Nordic countries excl. Norway	23 814	16,8%
Greece	12 398	8,8%
Rest of Europe	44 581	31,5%
USA	13 747	9,7%
Far East	13 876	9,8%
Other	2 113	1,5%
Total gross premiums and calls	141 557	100,0%

Total gross premiums and calls for the year 2001 were USD 141.6 mill. including 15% unbudgeted supplementary calls for the policy year 1999, and 45% for the policy year 2000.

Note 3 Reinsurance recoveries including change in estimates

	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Recoveries under pooling agreements	1 016	17 940
Recoveries under Group excess loss policies	5 290	-7 277
Recoveries under sundry reinsurance policies	17 880	7 483
Total reinsurance recoveries	24 186	18 146

Note 4 Net operating expenses

	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Administrative expenses	10 922	13 595
Salary, etc.	3 984	3 671
Commissions	6 496	5 575
Other acquisition costs	882	1 043
Acquisition costs	11 362	10 288
Net operating expenses	22 283	23 883

In accordance with Schedule 3 of the International Group Agreement, the Association is required to disclose the Average Expense Ratio for the Association's P&I business.

The operating expenses include all expenditure incurred in operating the Association's P&I business, excluding expenditure dealing with claims and a reasonable allocation of general overhead expenses. The premium includes all earned premium allocated to the policy year of origin.

For the five years ended 20 February 2002, a ratio of 10.5% (10.2% at 20 February 2001) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

## NOTES

### Note 5 Real estate

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During 2001, the Skuld office building in Oslo at Roald Amundsens gt. 6 was sold at a price of NOK 175 mill. Together with other minor real estate transactions, this generated a book profit of USD 12.7mill. After the sale, Skuld has ventured into a 1 year lease contract with an option of additional 1 year, while looking for new premises.

### Note 6 Financial investments

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	<i>2001</i>	<i>2000</i>
	<i>Market value</i>	<i>Market value</i>
	<i>1000 USD</i>	<i>1000 USD</i>
SHARES:		
Norwegian shares	140	125
Foreign shares	69 203	66 086
Total shares	<u>69 344</u>	<u>66 210</u>
BONDS:		
Treasuries	30 185	13 578
Asset Backed Securities	23 635	25 662
Mortgage Backed Securities	67 247	90 155
Corporate Securities	48 578	74 342
Government Agency Securities	3 008	0
Money Market	25 000	0
Eurobonds	36 259	0
Total bonds	<u>233 912</u>	<u>203 737</u>

### Note 7 Reinsurance debtors

---

	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Other associations' relating to Pooling agreements	0	109
Other reinsurance arrangements	0	210
Total reinsurance debtors	<u>0</u>	<u>318</u>

### Note 8 Prepayments and accrued income

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	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Accrued interest	1 636	1 763
Other prepayments	1 325	1 571
Prepayments and accrued income	<u>2 961</u>	<u>3 334</u>

### Note 9 Contingency reserve

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	<i>USD 1000</i>
Contingency reserve as per 20.02.2001	70 151
Balance carried forward to contingency reserve	3 337
Acquisition of captives	4 386
Contingency reserve as per 20.02.2002	<u>77 837</u>

Note 10 Provisions for outstanding claims by Policy year

<i>All figures in USD 1000</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>Closed years</i>	<i>Total</i>
Gross estimated outstanding including IBNR	89 312	53 073	37 726	177 604	357 715
The Association's estimated share of other associations' pool-claims including IBNR	<u>10 838</u>	<u>8 784</u>	<u>4 395</u>	<u>17 638</u>	<u>41 655</u>
Gross provision for outstanding claims	<u>100 151</u>	<u>61 856</u>	<u>42 122</u>	<u>195 242</u>	<u>399 370</u>
Estimated outstanding recoveries from:					
Pooling agreements	0	0	8 452	31 567	40 019
Group excess loss	0	0	0	38 704	38 704
Other reinsurers' share	<u>10 745</u>	<u>6 183</u>	<u>1 330</u>	<u>17 020</u>	<u>35 277</u>
Total estimated outstanding recoveries	<u>10 745</u>	<u>6 183</u>	<u>9 782</u>	<u>87 290</u>	<u>113 999</u>
Provisions for outstanding claims for own account	89 406	55 674	32 340	107 952	285 371
Contingency reserve	<u>-29 627</u>	<u>-3 874</u>	<u>4 012</u>	<u>107 362</u>	<u>77 873</u>
Technical provisions for own account	<u>59 779</u>	<u>51 800</u>	<u>36 352</u>	<u>215 314</u>	<u>363 243</u>

Note 11 Technical provisions for own account

	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
P&I		
Gross estimated outstanding including IBNR	336 585	334 916
The Association's estimated share of other associations' pool-claims including IBNR	<u>45 380</u>	<u>45 074</u>
Gross provision for outstanding claims	<u>381 965</u>	<u>379 990</u>
Estimated outstanding recoveries from:		
Pooling agreements	-54 535	-56 660
Other reinsurers' share	<u>-59 609</u>	<u>-60 930</u>
Total estimated outstanding recoveries	<u>-114 145</u>	<u>-117 590</u>
Provision for outstanding claims for own account	<u>267 820</u>	<u>262 400</u>
FDD		
Gross estimated outstanding including IBNR	17 404	12 524
The Association's estimated share of other associations' pool-claims including IBNR	<u>0</u>	<u>0</u>
Gross provision for outstanding claims	<u>17 404</u>	<u>12 524</u>
Estimated outstanding recoveries from:		
Pooling agreements	0	0
Other reinsurers' share	<u>146</u>	<u>-909</u>
Total estimated outstanding recoveries	<u>146</u>	<u>-909</u>
Provision for outstanding claims for own account	<u>17 550</u>	<u>11 614</u>
TOTAL P&I AND FDD		
P&I and FDD	285 371	274 015
Contingency reserve	<u>77 873</u>	<u>70 151</u>
Technical provision for own account	<u>363 244</u>	<u>344 166</u>

## NOTES

### Note 12 Accruals and deferred income

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	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Accrued reinsurance premium	0	2 289
Purchase price Skuld Re II and Skuld Re III	32 664	0
Other accruals	922	0
Accruals and deferred income	<u>33 586</u>	<u>2 289</u>

### Note 13 Off-balance sheet items

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“Bank Guarantees” and “Club Letter of Guarantees” amounting in total to USD 275.2 mill have been issued in connection with claims, of which the latter makes 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

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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

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	<i>2001</i>	<i>2000</i>
	<i>USD 1000</i>	<i>USD 1000</i>
Contingency reserve	77 873	70 151
Market value of property in excess of book value	0	10 633
Free reserves	<u>77 873</u>	<u>80 784</u>

The property was sold during 2001, and the free reserves thus converted to a profit.

## Note 16 Policy year statement by class as at 20.02.02

<i>All figures in USD mill.</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2001	0,0	108,0	125,9
year to 20th February 2002	94,2	0,0	0,0
	94,2	108,0	125,9
Supplementary calls levied in:			
years to 20th February 2001	0,0	28,4	18,3
year to 20th February 2002	0,0	0,0	0,0
	0,0	28,4	18,3
Estimated supplementary calls	0,0	0,0	0,0
Total calls and premiums	94,2	136,4	144,2
Reinsurance premiums	-20,4	-23,7	-24,0
	73,8	112,6	120,2
Claims incurred net of reinsurance recoveries	-102,5	-105,4	-108,0
	-28,7	7,3	12,2
Net operating expenses	-19,1	-24,1	-27,0
Net investment income	18,9	13,1	18,3
Taxes	0,0	0,0	0,0
	-28,9	-3,7	3,5
FDD			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2001		5,3	5,4
year to 20th February 2002	4,8	0,0	0,0
	4,8	5,3	5,4
Supplementary calls levied in:			
years to 20th February 2001	0,0	0,9	0,6
year to 20th February 2002	0,0	0,0	0,0
	0,0	0,9	0,6
Estimated supplementary calls	0,0	0,0	0,0
Total calls and premiums	4,8	6,2	6,0
Reinsurance premiums	-0,3	-0,3	-0,2
	4,6	6,0	5,8
Claims incurred net of reinsurance recoveries	-5,2	-5,5	-4,8
	-0,6	0,5	0,9
Net operating expenses	-1,1	-1,2	-1,2
Net investment income	1,0	0,5	0,7
Taxes	0,0	0,0	0,0
	-0,7	-0,1	0,5
Total P&I and FDD	-29,6	-3,9	4,0

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

## NOTES

### Note 17 Policy year statement as at 20.02.02 – Mutual and Fixed business

<i>All figures in USD mill.</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>MUTUAL</b>			
Total calls and premiums	76,3	117,5	122,4
Reinsurance premiums	-14,3	-18,4	-18,7
	<u>62,0</u>	<u>99,2</u>	<u>103,7</u>
Claims incurred net of reinsurance recoveries	-86,8	-99,0	-98,3
	<u>-24,8</u>	<u>0,1</u>	<u>5,4</u>
Net operating expenses	-15,9	-20,7	-23,6
Net investment income	15,3	11,1	16,3
Taxes	0,0	-0,1	-0,7
	<u>-25,3</u>	<u>-9,5</u>	<u>-2,6</u>
	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>FIXED</b>			
Total calls and premiums	22,9	25,3	28,1
Reinsurance premiums	-6,3	-5,6	-5,4
	<u>16,5</u>	<u>19,7</u>	<u>22,7</u>
Claims incurred net of reinsurance recoveries	-21,0	-11,8	-14,6
	<u>-4,4</u>	<u>7,9</u>	<u>8,1</u>
Net operating expenses	-4,5	-5	-4,9
Net investment income	4,6	2,6	3,6
Taxes	0,0	0,0	-0,2
	<u>-4,3</u>	<u>5,6</u>	<u>6,6</u>
Total Mutual and Fixed business	<u>-29,6</u>	<u>-3,9</u>	<u>4,0</u>

Calls and premiums, reinsurance premiums and claims are allocated to the policy year to which they relate. Commission has been allocated to the respective policy year. Other operating expenses have been allocated to the policy year corresponding to the accounting year. Net investment income has been allocated to the policy year corresponding to the accounting year.



## AUDITOR'S REPORT FOR 2001/2002

Translation from the original Norwegian version

To the Annual Meeting of Assuranceforeningen Skuld (Gjensidig)

### AUDITOR'S REPORT FOR 2001/2002

We have audited the annual financial statements of the Assuranceforeningen Skuld (Gjensidig) as of February 20, 2002 showing a net result of NOK 0 after allocation of contingency reserves of NOK 42,357,812 for the Association and NOK 30,954,615 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, 2002, 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 14, 2002  
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 & IT

## THE BOARD OF DIRECTORS

**Erik Behn, Chairman**  
A/S Dampskibsselskabet TORM

**Nils Aardal, Vice Chairman**  
J.O. Odfjell AS

**Terje Adolfsen**  
Bergesen d.y. ASA

**Arne Birkeland**  
A/S Billabong

**Kjeld B. Horn**  
Skuld (employee representative)

**Tom E. Jebsen**  
Frontline Management A/S

**Thomas Bjørn Larsen**  
Skuld (employee representative)

**Leonardo Polito**  
Skuld (employee representative)

**Ulf G. Ryder**  
Stena Bulk AB

**Felix H. Tschudi**  
Tschudi & Eitzen Holding AS

**Peter Wilsund**  
Rederiet A.P. Møller