

Going the extra mile
for you

Consolidated income and expenditure account as of 20/8

MUSD	2003	2002
TECHNICAL ACCOUNT		
Premiums and calls	58.6	57.2
Reinsurance premiums	-10.1	-11.2
Premiums for own account	48.5	46.0
Gross claims incurred	-24.2	-47
Reinsurers' share	-17.2	1.5
Claims incurred for own account	-41.5	-45.5
Acquisition costs	-5.3	-4.7
Administrative expenses	-7.6	-6.8
Net operating expenses	-12.9	-11.4
Balance carried to non-technical account	-5.8	-10.9
NON TECHNICAL ACCOUNT		
Balance from technical account	-5.8	-10.9
Net investment income	13.1	6.3
Balance before tax on ordinary activities	7.3	-4.6
Taxes	-0.1	-0.1
Balance carried to contingency reserves	7.2	-4.7

Balance sheet as of 20/8

MUSD	2003	2002
ASSETS		
Financial investments	308.6	263.3
Debtors	10.7	24.7
Other assets	37.7	97.6
Prepayment and accrued income	3.7	2.1
Total assets	360.7	387.7
LIABILITIES		
Prov. for outstanding claims for own account	275.3	277.4
Contingency reserve	57.4	73.7
Technical provision for own account	332.7	351.0
Provisions for other liabilities	4.3	4.6
Creditors	-0.5	15.3
Accruals and deferred income	24.3	16.7
Total liabilities	360.7	387.7

Building reserves

Skuld is pleased to present the half year results for 2003 which show a profit of USD 7.2 mill, compared to a loss of USD 4.7 mill for the first half year 2002.

This year, you will see a more conservative assessment of premium income and claims costs in order to reduce the probability of such an adverse development as in 3rd and 4th quarter 2002. After all, the claims frequency is higher in the last quarter of the policy year.

We have seen a positive development for earlier policy years. The claims estimate includes an additional increase of the IBNR buffer of USD 6.5 mill.

In order to meet any increases in pool claim assessments from the International Group at year end, reserves have been adjusted upwards for the years 2002 and 2003 in line with Skuld's reinsurance cap of USD 13.5 mill. For those years, only pool claims in excess of the Association's aggregate limit of cover would have negative effect.

The equity market started its recovery this year, which has had a positive effect on the results with USD 13 mill.

With USD 7.2 mill added to contingency reserves, Skuld is now once again in compliance with the strict Norwegian capital requirements. Skuld's contingency reserves now constitute USD 57.2 mill or USD 2.1 per GT. In order to further strengthen the Association's reserves, the General Meeting have approved drawing on a bridging facility. This bridging facility is similar in nature to other Alternative Risk Transfer solutions provided in the market. When implemented, the free reserves will stand at approximately USD 85 mill or USD 3.1 per GT.

Even though the first half of the year has shown a slight recovery in the financial markets and investment income has increased, it is still important to keep focus on premium levels in order to sustain the level of incoming claims.

In order to continue to further enhance the Club's policy of transparency, we have decided to present 3rd quarter results this upcoming November.



Douglas Jacobsohn
President & CEO

