

3rd quarter report 2005

POSITIVE OUTLOOK ▶

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SKULD

FINANCIAL SUMMARY

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (MUSD)	As of 20.11.05	As of 20.11.04
TECHNICAL ACCOUNT		
Premiums and calls	110,3	103,4
Reinsurance premiums	-11,2	-13,0
Premiums for own account	99,1	90,5
Claims incurred for own account	-79,4	-71,2
Acquisition costs	-11,1	-9,8
Administrative expenses	-5,4	-4,7
Net operating expenses	-16,5	-14,5
Technical result	3,1	4,7
NON TECHNICAL ACCOUNT		
Balance from technical account	3,1	4,7
Net investment income	11,1	6,1
Taxes	-0,1	-0,2
Balance carried to contingency reserves	14,1	10,6
BALANCE SHEET (MUSD)	As of 20.11.05	As of 20.11.04
ASSETS		
Financial investments	355,9	327,9
Debtors	24,7	29,6
Other assets	39,4	41,1
Prepayment and accrued income	6,1	3,0
Total assets	426,1	401,8
LIABILITIES		
Provisions for outstanding claims for own account	253,2	259,1
Contingency reserve	127,2	92,2
Technical provision for own account	380,3	351,3
Provisions for other liabilities	4,0	4,8
Creditors	1,6	7,3
Accruals and deferred income	40,1	38,3
Total liabilities	426,1	401,8

In the Profit & Loss accounts, direct claims and a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively.

BBB+; POSITIVE OUTLOOK. We are pleased to present the third quarter accounts for 2005 which show a surplus of USD 14.1 million. This is the 11th consecutive quarter where Skuld strengthens its free reserves. As a consequence, contingency reserves now stand at a record high USD 127.2 million, which equals USD 4.1 per GT.

During the first three quarters of the 2005/06 policy year, the total number of claims has decreased compared to last year. However, we have noted an increase in the average size of claims in the USD 100,000-250,000 range, which is probably a result of higher commodity prices. The slight increase in the number of large claims in the USD 1 million to USD 5 million range reported in the half year report has not continued. As always, it is important to note that large claims are volatile and will fluctuate during a policy year. Among other things, the development of the USD/NOK exchange rate and the establishment of the branch office in Hamburg have affected administrative expenses negatively as compared to 2004. However, we are pleased to report that the technical result is positive with a surplus at the end of the third quarter of USD 3.1 million.

Skuld benefits from a clear long-term strategy. Pleasingly, Standard & Poor's raised its long term counterparty credit and insurer financial strength ratings

to BBB+; positive outlook, reflecting the club's continued strong operating performance and improvement in capitalisation. The full report can be found on Skuld's website www.skuld.com.

For the Association's investments, the year has been highly satisfactory, albeit volatile. The global equity portfolio has taken a rollercoaster ride, peaking at returns of 6.6% in the last month. Once again, the Association's ongoing efforts to diversify have proven wise, ultimately leaving returns of 3.9% after nine months. Equities closing at 12.7% are the primary driver, along with the Association's re-designed fixed income portfolio returning 1.1%. Despite less than six months of alternative investments, both commodities and hedge funds have proven prudent and well functioning as diversifiers in Skuld's investment strategy.

Compared to the 2004 third quarter returns of 2.4%, this year's good performance incorporates multiple US interest rate increases and higher oil

prices. The results also include several changes to the asset mix with a 5% increase in the equity allocation (to 27.5%) as the main change in a series that combined makes a more optimal investment strategy reflecting Skuld's improved financial situation.

Following a Board and Committee meeting in London, Skuld has announced a 5% general increase for P&I and Charterers' business.



DOUGLAS JACOBSON
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

SKULD OFFICE ADDRESSES

Assuranceforeningen Skuld (Gjensidig)

Ruseløkkveien 26, Oslo, Norway
Mailing address:
P.O. Box 1376 Vika,
0114 Oslo, Norway
Telephone: +47 22 00 22 00
Telefax: +47 22 42 42 22
E-mail: osl@skuld.com

Skuld Bergen

Nedre Ole Bulls plass 3
Mailing address:
P.O. Box 75, 5803 Bergen, Norway
Telephone: +47 55 30 18 60
Telefax: +47 55 30 18 70
E-mail: bgo@skuld.com

Assuranceforeningen Skuld (Gjensidig)

ved Den Danske Afdeling
Frederiksborggade 15
DK-1360 Copenhagen K, Denmark
Telephone: +45 33 43 34 00
Telefax: +45 33 11 33 41
E-mail: cph@skuld.com

Skuld (Far East)

Room 2909, China Resources Building
26 Harbour Road, Wanchai, Hong Kong
Telephone: +852 2836 3909
Telefax: +852 2836 3219
E-mail: hkg@skuld.com

Skuld Hellas

Filellinon 1-3,
P.O. Box 80112
GR-185 36 Piraeus, Greece
Telephone: +30 210 459 4190-2
Telefax: +30 210 459 4194
E-mail: ath@skuld.com

Skuld Germany GmbH

Neuer Wall 35
D-20354 Hamburg, Germany
Telephone: +49 40 309 9870
Telefax: +49 40 309 98716/17
E-mail: germany@skuld.com

EXCLUSIVE CORRESPONDENT IN THE UNITED STATES

Anchor Marine Claims Services Inc.

805 Third Avenue, 21st Floor
NEW YORK, N.Y. 10022, USA
Telephone: (1) 212 758 9200 (24 hr.)
Telefax: (1) 212 758 9935
E-mail: nyc@anchorclaims.com

www.skuld.com

Emergency phone: +47 952 92 200

Organisation number:
NO 938419531 MVA
