



**ALMOST INVISIBLE**  
**COMPLETELY INDISPENSABLE**  
SKULD ACCOUNTS 2008

CONSOLIDATED  
INCOME AND  
EXPENDITURE  
ACCOUNT

All figures in USD 1000	Note	2008	2007
<b>TECHNICAL ACCOUNT</b>			
Premiums and calls			
Gross premiums and calls	2	213 239	192 654
- Reinsurance premium		-23 350	-20 012
<b>Earned premiums and calls for own account</b>		<b>189 889</b>	<b>172 642</b>
Claims incurred			
Gross claims paid	3	188 895	125 960
- Reinsurance recoveries	3	-47 895	-2 906
Gross change in estimated outstanding claims	3	-58 192	178 096
- Reinsurers share	3	61 492	-164 096
<b>Claims incurred for own account</b>		<b>144 301</b>	<b>137 054</b>
Operating expenses			
Acquisition costs	4	22 617	20 278
Administrative expenses	4	10 059	9 189
<b>Net operating expenses</b>		<b>32 675</b>	<b>29 467</b>
<b>Balance carried to non-technical account</b>		<b>12 913</b>	<b>6 122</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Balance from technical account</b>		<b>12 913</b>	<b>6 122</b>
Investment income			
Investment income		16 374	1 638
Unrealised gains / loss on investments		-54 186	-11 808
Realised gains / loss on investments		-37 061	19 762
<b>Total investment income</b>		<b>-74 873</b>	<b>9 591</b>
Investment expenses			
<b>Investment management expenses</b>		<b>777</b>	<b>778</b>
Foreign exchange adjustments			
<b>Foreign exchange adjustments</b>		<b>2 518</b>	<b>-127</b>
<b>Balance before tax on ordinary activities</b>		<b>-60 219</b>	<b>14 807</b>
Taxes			
<b>Taxes</b>		<b>-874</b>	<b>3 266</b>
<b>Balance carried to contingency reserve</b>		<b>-59 346</b>	<b>11 541</b>

**BALANCE  
SHEET AS  
OF 20.02.09**

All figures in USD 1000	Note	2008	2007
<b>ASSETS</b>			
<b>Financial assets</b>			
Real estate		251	248
Mortgages		1 580	1 693
Other loans		478	474
Alternative investments	6	25 498	40 550
Financial instruments	6	135	0
Shares	6	41 329	144 675
Bonds	6	327 568	273 723
<b>Total financial assets</b>		<b>396 839</b>	<b>461 363</b>
<b>Debtors</b>			
Members and brokers		319	5 410
Reinsurers		68	280
Other debtors		844	813
<b>Total debtors</b>		<b>1 231</b>	<b>6 504</b>
<b>Other assets</b>			
Fixed assets	5	3 194	3 463
Pension assets		1 954	1 797
Cash at bank		34 881	28 387
<b>Total other assets</b>		<b>40 029</b>	<b>33 648</b>
<b>Prepayments and accrued income</b>			
Prepayments and accrued income	7	3 374	3 386
<b>Total assets</b>		<b>441 473</b>	<b>504 901</b>
<b>LIABILITIES</b>			
<b>Technical provisions</b>			
Provisions for outstanding claims for own account	9	273 179	280 930
Contingency reserve	8	143 967	203 518
<b>Technical provisions for own account</b>	<b>9,10</b>	<b>417 146</b>	<b>484 448</b>
<b>Provisions for other liabilities</b>			
Pension liabilities		4 912	5 210
Provision for taxation		2 410	3 584
<b>Total provisions for other liabilities</b>		<b>7 323</b>	<b>8 794</b>
<b>Creditors</b>			
Members and brokers		8 123	2 134
Reinsurers		4 647	3 622
Other creditors		3 445	2 481
<b>Total creditors</b>		<b>16 215</b>	<b>8 238</b>
<b>Accruals and deferred income</b>			
Accruals and deferred income		789	3 421
<b>Total liabilities</b>		<b>441 473</b>	<b>504 901</b>

Berlin, 5 June 2009

 Erik Gløersen	 Klaus Kjærulf	 Sergey Popravko	 Sandro Vuylsteke
 Trygve Seglem	 Nils Aardal	 Peter Wilsund	 Ulrika Leikvang
 John P. Tavlarios	 Ulf G. Ryder	 Marnix J. van Oberkift	 Douglas Jacobsohn CEO

## Note 1 ACCOUNTING POLICY

The accounts are prepared in USD, but in the official accounts for Skuld, USD has been converted to NOK and Norwegian language has been used.

Furthermore, the accounts have been prepared in compliance with the regulations from the Norwegian Banking, Security and Insurance Commission. These 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: Vika Management AS, Skuld Seminar Services AS, Skuld AB (New), Skuld Germany GmbH, Skuld Insurance Eastern Europe ZAO, Moskva, Skuld Far East Ltd., Skuld Hellas Ltd., Alvema SA 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.

### 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 future 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

Country	Premiums	%
Norway	24 533	11,5%
Nordic countries excl. Norway	31 809	14,9%
Germany	25 825	12,1%
Greece	13 536	6,3%
Rest of Europe	64 871	30,4%
USA	15 700	7,4%
Far East	27 478	12,9%
Other	9 487	4,4%
<b>Total gross premiums and calls</b>	<b>213 239</b>	<b>100,0%</b>

## Note 3 NET CLAIMS INCURRED

	2008	2007
<b>Gross claims paid</b>		
Members' claims	204 746	144 133
Group Pooling arrangements	-15 850	-18 173
<b>Gross claims paid</b>	<b>188 895</b>	<b>125 960</b>
<b>Reinsurers' share</b>		
Group Pooling arrangements	-46 043	-943
Market underwriters	-1 852	-1 962
Other P&I Associations	0	0
<b>Reinsurers' share</b>	<b>-47 895</b>	<b>-2 906</b>
<b>Net claims paid</b>	<b>141 000</b>	<b>123 054</b>
<b>Change in provision for gross claims</b>		
Provision opening balance	493 205	308 240
Provision closing balance	424 337	493 205
Change in currency valuation at year end	10 676	-6 869
<b>Change in provision for gross claims</b>	<b>-58 192</b>	<b>178 096</b>
<b>Less movements in provision for reinsurers' share</b>		
Provision opening balance	-212 275	-48 228
Provision closing balance	-151 158	-212 275
Change in currency valuation at year end	375	-50
<b>Less movements in provision for reinsurers' share</b>	<b>61 492</b>	<b>-164 096</b>
<b>Change in provision for future claims</b>		
<b>Net change in claims provision</b>	<b>3 300</b>	<b>13 999</b>
<b>Claims incurred for own account</b>	<b>144 301</b>	<b>137 054</b>

## Note 4 NET OPERATING EXPENSES

	2008	2007
<b>Administrative expenses</b>	<b>10 059</b>	<b>9 189</b>
Salary, etc.	5 743	5 359
Commissions	11 976	10 837
Marketing	1 989	1 641
Surveys	329	196
Other acquisition costs	2 580	2 244
<b>Acquisition costs</b>	<b>22 617</b>	<b>20 278</b>
<b>Net operating expenses</b>	<b>32 675</b>	<b>29 467</b>

In the P&L, direct claims cost and a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively.

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 20th February 2009, a ratio of 12.7% (10.4% at 20th February 2008) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

## Note 5

### FIXED ASSETS

	Fixed assets
<b>Cost</b>	
<b>As at 20th February 2008</b>	<b>9 285</b>
Purchases in the year	1 055
Sales / Scrapping in the year	538
<b>As at 20th February 2009</b>	<b>9 802</b>
<b>Depreciation</b>	
<b>As at 20th February 2008</b>	<b>5 822</b>
Depreciation on sold / scrapped assets	502
Depreciation this year	-1 289
<b>As at 20th February 2009</b>	<b>6 609</b>
<b>Net book value</b>	
<b>As at 20th February 2008</b>	<b>3 463</b>
<b>As at 20th February 2009</b>	<b>3 194</b>

## Note 6

### FINANCIAL INVESTMENTS

	2008 Market value	2007 Market value
<b>Shares</b>		
Norwegian shares	112	601
Foreign shares	41 217	144 074
<b>Total shares</b>	<b>41 329</b>	<b>144 675</b>
<b>Bonds</b>		
Treasuries	140 460	34 949
Asset Backed Securities	23 478	29 053
Mortgage Backed Securities	7 069	8 932
Corporate Securities	91 627	127 503
Government Agency Securities	25 335	32 664
Cash and Money Market	39 600	40 623
<b>Total bonds</b>	<b>327 568</b>	<b>273 723</b>
<b>Alternative investments</b>		
Commodity derivatives	3 315	13 872
Hedge Funds	17 064	24 032
Private Equity	5 119	2 645
<b>Total alternative investments</b>	<b>25 498</b>	<b>40 550</b>

FINANCIAL INVESTMENTS

Contract description	Settlement date	Currency bought forward	Currency sold forward	Fair value 20.02.2008
NOK/USD bought forward	12-03-09	18 800	2 670	42
"	14-04-09	5 500	781	10
"	14-05-09	9 300	1 321	15
"	11-06-09	7 100	1 008	11
"	14-07-09	6 700	952	9
"	13-08-09	5 200	739	7
"	14-09-09	7 500	1 065	10
"	14-10-09	5 300	753	6
"	12-11-09	7 100	1 008	8
"	03-12-09	7 900	1 122	9
"	14-01-10	7 000	994	5
"	11-02-10	6 000	852	3
		<b>93 400</b>	<b>13 265</b>	<b>135</b>

Note 7 PREPAYMENTS AND ACCRUED INCOME

	2008	2007
Accrued interest	13	108
Other prepayments	3 361	3 279
<b>Prepayments and accrued income</b>	<b>3 374</b>	<b>3 386</b>

Note 8 CONTINGENCY RESERVE

	2008	2007
Contingency reserve opening balance	203 518	191 366
Balance carried forward to contingency reserve	-59 346	11 541
Difference related to subsidiaries	-205	610
<b>Contingency reserve closing balance</b>	<b>143 967</b>	<b>203 518</b>

Note 9 PROVISIONS FOR OUTSTANDING CLAIMS BY POLICY YEAR

	2008	2007	2006	Closed years	Total
Gross estimated outstanding including IBNR associations' pool-claims	75 395	182 764	33 915	83 616	375 690
including IBNR	6 113	7 730	15 481	19 323	48 647
<b>Gross provision for outstanding claims</b>	<b>81 509</b>	<b>190 494</b>	<b>49 395</b>	<b>102 940</b>	<b>424 337</b>
<b>Estimated outstanding recoveries including IBNR from:</b>					
Pooling agreements	0	37 673	-258	3 213	40 628
Group excess loss	0	86 250	0	3 526	89 776
Other reinsurers' share	4	-5 081	7 596	18 236	20 755
<b>Total estimated outstanding recoveries</b>	<b>4</b>	<b>118 841</b>	<b>7 338</b>	<b>24 974</b>	<b>151 158</b>
Provisions for outstanding claims for own account	81 504	71 653	42 057	77 965	273 179
Contingency reserve	-68 300	-10 913	33 395	189 785	143 967
<b>Technical provisions for own account</b>	<b>13 204</b>	<b>60 740</b>	<b>75 452</b>	<b>267 751</b>	<b>417 146</b>

## Note 10 TECHNICAL PROVISIONS FOR OWN ACCOUNT

	2008	2007
<b>P&amp;I</b>		
Gross estimated outstanding including IBNR	357 668	429 318
The Association's estimated share of other associations' pool-claims including IBNR	48 647	50 598
<b>Gross provision for outstanding claims</b>	<b>406 315</b>	<b>479 916</b>
<b>Estimated outstanding recoveries from:</b>		
Pooling agreements	-40 628	-86 479
Other reinsurers' share	-110 630	-125 896
<b>Total estimated outstanding recoveries</b>	<b>-151 258</b>	<b>-212 375</b>
<b>Provision for outstanding claims for own account</b>	<b>255 056</b>	<b>267 541</b>
<b>FD&amp;D</b>		
Gross estimated outstanding including IBNR	18 023	13 288
The Association's estimated share of other associations' pool-claims including IBNR	0	0
<b>Gross provision for outstanding claims</b>	<b>18 023</b>	<b>13 288</b>
<b>Estimated outstanding recoveries from:</b>		
Pooling agreements	0	0
Other reinsurers' share	100	100
<b>Total estimated outstanding recoveries</b>	<b>100</b>	<b>100</b>
<b>Provision for outstanding claims for own account</b>	<b>18 123</b>	<b>13 389</b>
<b>Total P&amp;I and FD&amp;D</b>		
Provision for outstanding claims for own account	273 179	280 930
Contingency reserve	143 967	203 518
<b>Technical provision for own account</b>	<b>417 146</b>	<b>484 448</b>

## Note 11 OFF-BALANCE SHEET ITEMS

### Guarantees

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 354.2 mill have been issued in connection with claims, of which the latter makes up by far the greater part. The face value 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.

The Association has entered into a 10 years lease period for the Oslo office building starting 01.12.2002.

## Note 12 FINANCIAL RISK

Interest and currency risks are integrated in the Asset-Liability Management. Asset- and liability sensitivities are "matched" - immunising the claim liabilities towards changes in the general interest rate level. Changes to the value of the Association's fixed income securities are accompanied by a corresponding revaluation of the claim liabilities' present value. This is achieved by managing the fixed income portfolio around a constant duration, based on the weighted claim duration of 2.3 years. The currency mix of the liabilities is matched with an appropriate amount of assets. Derivative contracts (swaps and forward contracts) are used to improve the matching.

The stock portfolio is managed passively, benchmarked against the MSCI All Country World Index. This implies a risk profile consistent with the global stock market, without overweight towards specific sectors, countries or regions.



Note 13 POLICY YEAR STATEMENT BY CLASS AS AT 20.02.08

	2008	2007	2006
<b>P&amp;I</b>			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2008	0	181 405	169 061
current accounting year	199 894	1 908	286
	<u>199 894</u>	<u>183 312</u>	<u>169 347</u>
Supplementary calls levied in:			
years to 20th February 2008	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	199 894	183 312	169 347
Reinsurance premiums	-23 758	-18 141	-21 326
	176 136	165 171	148 021
Claims incurred net of reinsurance recoveries	-138 693	-153 668	-122 989
	<u>37 443</u>	<u>11 503</u>	<u>25 031</u>
Net operating expenses	-30 594	-27 793	-25 846
Net investment income	-69 486	8 253	32 162
Taxes	830	-3 101	12
<b>Total P&amp;I</b>	<b>-61 808</b>	<b>-11 138</b>	<b>31 358</b>
<b>FD&amp;D</b>			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2008	0	9 237	7 763
current accounting year	10 560	585	15
	<u>10 560</u>	<u>9 821</u>	<u>7 778</u>
Supplementary calls levied in:			
years to 20th February 2008	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	10 560	9 821	7 778
Reinsurance premiums	0	0	0
	<u>10 560</u>	<u>9 821</u>	<u>7 778</u>
Claims incurred net of reinsurance recoveries	-11 625	-8 185	-5 889
	<u>-1 065</u>	<u>1 637</u>	<u>1 889</u>
Net operating expenses	-1 825	-1 675	-1 348
Net investment income	-3 647	429	1 495
Taxes	44	-165	1
<b>Total FD&amp;D</b>	<b>-6 493</b>	<b>225</b>	<b>2 037</b>
<b>Total P&amp;I and FD&amp;D</b>	<b>-68 300</b>	<b>-10 913</b>	<b>33 395</b>

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.

Note 14 POLICY YEAR STATEMENT AS AT 20.02.09 – MUTUAL AND FIXED BUSINESS

	2008	2007	2006
<b>Mutual</b>			
Total calls and premiums	155 496	134 807	122 956
Reinsurance premiums	-15 188	-11 867	-14 584
	140 308	122 940	108 372
Claims incurred net of reinsurance recoveries	0	0	0
	-115 293	-124 239	-96 600
	25 015	-1 300	11 772
Net operating expenses	-23 573	-20 789	-19 315
Net investment income	-53 817	6 225	24 165
Taxes	649	-2 341	9
<b>Total Mutual</b>	<b>-51 726</b>	<b>-18 205</b>	<b>16 630</b>
<b>Fixed</b>			
Total calls and premiums	54 957	58 327	52 515
Reinsurance premiums	-8 569	-6 274	-6 742
	46 388	52 053	45 773
Claims incurred net of reinsurance recoveries	-35 025	-37 614	-32 279
	11 363	14 439	13 494
Net operating expenses	-8 847	-8 679	-7 878
Net investment income	-19 315	2 456	9 492
Taxes	225	-925	3
<b>Total Fixed</b>	<b>-16 574</b>	<b>7 292</b>	<b>15 111</b>
<b>Total Mutual and Fixed business</b>	<b>-68 300</b>	<b>-10 913</b>	<b>31 741</b>

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 and net investment income have been allocated to the policy year corresponding to the accounting year.





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