

# HALF YEAR REPORT 2008



ROBUST  
PERFORMANCE  
FOR SKULD

The Club continues to achieve a positive technical result (premium income less claims and operating expenses) in a period with increasing claims inflation. The recent unrest and highly volatile financial markets have underlined the importance of having a balanced technical result.

For the first half of 2008, we are pleased to once again present a positive technical result as well as a bottom line surplus. The technical result of USD 7.5 million is an improvement of USD 4.2 million compared to Q2 2007. This improvement from last year is mainly due to positive claims developments on older policy years. We have seen an increase in medium-size owner claims, reducing the margins on the current policy year result. In this claims climate it will be a challenge to maintain the technical surplus going forward.

So far only two pool claims have been reported in 2008. It is, however, too early to predict the outcome of the year, and a significant deterioration must be expected. Management has therefore taken a conservative approach and made provisions for pool costs at a level corresponding with our ultimate expectations set out at the beginning of the year.

Our membership base is growing and total entered mutual gross tonnage now stands at 43 million GT and total premium income has grown by 16% compared to Q2 2007.

The Club has a long-term view of its investments and our risk profile supports the characteristics of our core business. The risk appetite is adjusted within an enterprise risk framework.

After a positive performance on our investment portfolio at the beginning of the year, we saw a reversal in the second quarter. We expect the volatility in the financial markets to continue for some time. Our investment portfolio had a net loss of USD 3.0 million after the first half of 2008 which is considered a moderate loss within the current market conditions. We believe it underlines the value of diversification.

The bottom line result shows a surplus of USD 4.5 million, increasing the contingency reserves to USD 208 million.



DOUGLAS JACOBSON  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

CONSOLIDATED  
INCOME AND  
EXPENDITURE  
ACCOUNT AS  
OF 20.08

MUSD	2008	2007
<b>TECHNICAL ACCOUNT</b>		
Premiums and calls	106.5	92.0
Reinsurance premiums	-10.6	-8.8
<b>Premiums for own account</b>	<b>95.9</b>	<b>83.3</b>
<b>Claims incurred for own account</b>	<b>-72.7</b>	<b>-67.0</b>
Acquisition costs	-10.7	-8.9
Administrative expenses	-5.0	-4.1
<b>Net operating expenses</b>	<b>-15.6</b>	<b>-13.0</b>
<b>Balance carried to non-technical account</b>	<b>7.5</b>	<b>3.3</b>

**NON TECHNICAL ACCOUNT**

Balance from technical account	7.5	3.3
Net investment income	-3.0	2.2
Taxes	0.0	0.0
<b>Balance carried to contingency reserve</b>	<b>4.5</b>	<b>5.5</b>

BALANCE  
SHEET  
AS OF 20.08

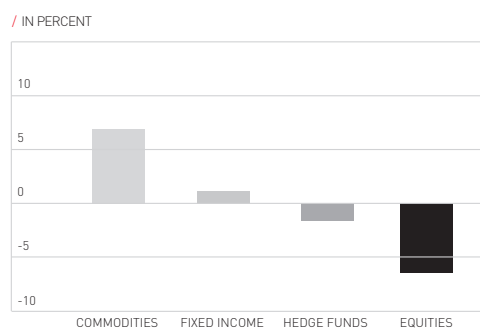
MUSD	2008	2007
<b>ASSETS</b>		
Financial investments	473.5	447.2
Debtors	20.8	17.9
Other assets	65.4	53.9
Prepayment and accrued income	1.3	-1.8
<b>Total assets</b>	<b>560.9</b>	<b>517.2</b>

**LIABILITIES**

Provision for outstanding claims for own account	293.8	277.2
Contingency reserve	207.9	197.7
Technical provisions for own account	501.8	474.9
Provisions for other liabilities	8.7	5.0
Creditors	12.9	1.7
Accruals and deferred income	37.5	35.6
<b>Total liabilities</b>	<b>560.9</b>	<b>517.2</b>

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

INVESTMENT  
RETURN  
AS OF 20.08.08





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