

THIRD QUARTER REPORT 2011

SKULD DELIVERS A ROBUST THIRD QUARTER RESULT IN SPITE OF CHALLENGING CONDITIONS

Skuld is looking to continue its unbeaten track record of nine consecutive years of underwriting profit; the underwriting result for the third quarter stands at USD 22.6 million which is a USD 3.2 million reduction compared with the third quarter last year.

One of the main challenges for the mutual business is the churn effect. Fierce competition on new buildings pushes premium levels down while at the same time old vessels with more mature premium levels are being scrapped. Skuld has a clear approach of prudent underwriting in order to secure a balanced underwriting result for our mutual members. However, this means that we cannot allow ourselves to compete on unreasonable low premium levels on some new buildings.

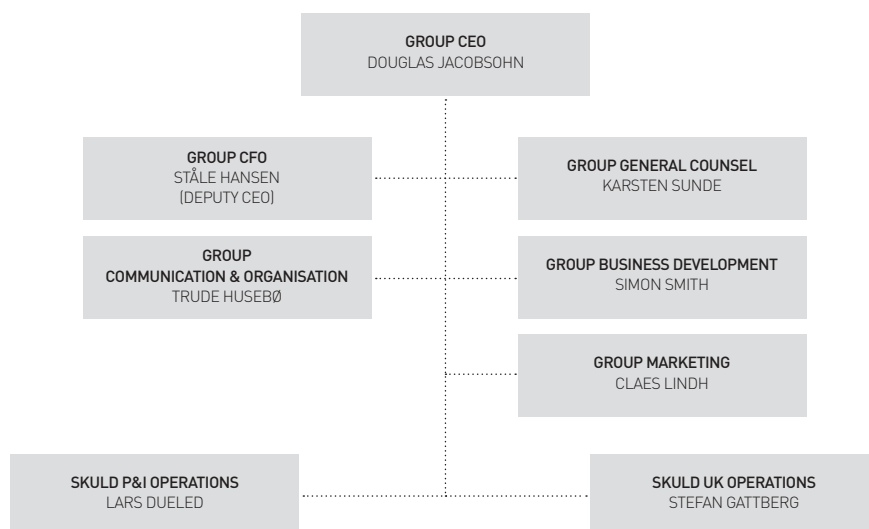
It will be a challenge to maintain the balanced underwriting result on the mutual owner book. It is therefore important to have a well-diversified non-mutual business supporting the bottom-line and our mutual owners. Some members are facing tough challenges and we will make sure to support them as best as we can.

Premium incomes have increased 13% since the third quarter last year. One of the main contributors to the continued growth is from our London market syndicate Skuld 1897 at Lloyd's.

The extreme volatility in financial markets continues. We have noticed that our broad diversification and conservative approach are reducing the losses on our portfolio. But it is unavoidable not to be affected by the ongoing financial turmoil where negative returns from equities bring the overall investment return close to zero.

We need a strong balance sheet in order to give members and clients predictability, sustainability and the financial protection they need. Skuld will be a reliable service partner for our members and clients through these tough times.

Our dedicated staff will continue to do their utmost to serve our members and clients in the best possible way. With this in mind, Skuld has taken the opportunity to enhance and improve its management team. As the business becomes more diversified, the need for speed and efficiency becomes more apparent. In order to meet this challenge, we have created a group management team of eight, including the appointments of Lars Dueled as Director P&I Operations and Karsten Sunde as Group General Counsel. Lars has been with Skuld since 1996 and was most recently Syndicate Leader in Oslo for Syndicate 1. Karsten comes from Gard where he was Vice President, Group Legal and will join Skuld on 1 March 2012.



Skuld is in good shape and well positioned for further growth both on P&I, Offshore and Skuld 1897. Our vision is clear, Skuld will be a **world leading marine insurance provider** through innovation, financial strength and the talents of our people and I am proud to say that we are clearly living that vision today.

At the third quarter our contingency reserves stand at record high USD 287 million – an improvement of USD 34 million compared with the third quarter last year.

DOUGLAS JACOBSON
PRESIDENT & CEO

CONSOLIDATED
INCOME AND
EXPENDITURE
ACCOUNT AS
OF 20/11 2011

MUSD	2011 (Q3)	2010 (Q3)
TECHNICAL ACCOUNT		
Premiums and calls	222.9	196.8
Reinsurance premiums	-26.2	-21.6
Premiums for own account	196.7	175.2
Claims incurred for own account	-132.0	-118.0
Acquisition costs	-32.3	-23.4
Administrative expenses	-9.8	-7.9
Net operating expenses	-42.1	-31.3
Balance carried to non-technical account	22.6	25.8
NON TECHNICAL ACCOUNT		
Balance from technical account	22.6	25.8
Net investment income	-0.5	27.3
Taxes	-1.5	-1.1
Balance carried to contingency reserve	20.6	52.1

BALANCE
SHEET AS OF
20/11 2011

MUSD	2011 (Q3)	2010 (Q3)
ASSETS		
Financial investments	631.4	575.0
Debtors	51.7	50.1
Other assets	69.1	42.6
Prepayment and accrued income	10.6	12.8
Total assets	762.8	680.6
LIABILITIES		
Provision for outstanding claims for own account	382.3	345.1
Contingency reserve	<u>287.0</u>	<u>253.6</u>
Technical provisions for own account	669.4	598.7
Provisions for other liabilities	6.2	1.1
Creditors	14.6	11.3
Accruals and deferred income	72.7	69.4
Total liabilities	762.8	680.6

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



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