



ANNUAL
REVIEW
2012

DECADE OF
ACHIEVEMENTS
ACHIEVEMENTS
FOR DECADES



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ANNUAL GENERAL MEETING

The Annual General Meeting will be held Thursday 29 August 2013.



DECADE OF ACHIEVEMENTS ACHIEVEMENTS FOR DECADES

INNOVATION

Customer-oriented innovation is crucial to us – not only in terms of new products, but also how we do our business. We take great pride in developing our processes to support efficient and accurate service deliveries.

DIVERSIFICATION

Investment in diversification has resulted in a stronger than ever financial position, enabling us to provide our members with increased security and innovative services.

TALENTS OF OUR PEOPLE

We have invested heavily, and successfully, in our staff – our most valuable asset – in order to have the best people in the right places.

FINANCIAL STRENGTH

New products – Offshore, Yacht and Fixed P&I, to name a few – are making a significant impact on the bottom line. Especially Skuld Offshore delivered impressive premium growth – from USD 21 mill. in 2011 to 30 mill. in 2012.



THE WAKE OF A SUCCESSFUL DECADE

2012

- à 10 years of positive underwriting results
- à Clean 'A' rating with stable outlook by Standard & Poor's
- à Skuld's 115th anniversary
- à Mutual business delivers 70% of income, commercial 30%
- à Singapore office reopens

2011

- à Launch of Skuld 1897, a marine and energy syndicate at Lloyd's
- à Acquisition of Whittington UK, later named Asta
- à Skuld Group introduces new management structure
- à Premium income reaches USD 300 mill.

2010

- à Skuld imposes diversification strategy
- à Skuld London office opens
- à Skuld Aberdeen office opens

2009

- à P&I insurance passes 50 mill. GT
- à Skuld group staff represents over 20 nationalities

2008

- à Re-launch of Skuld Offshore
- à Premium income reaches USD 200 mill.

2004

- à Consolidation mode
- à Skuld Hamburg office opens

2003

- à Skuld introduces quarterly reports to increase transparency, posting a positive underwriting result



LEADS
TOWARDS
AN **OCEAN** OF
OPPORTUNITIES

2020

à Commercial business to deliver
50% of Skuld's income

2015

à Premium income to
reach USD 500 mill.

FOLLOWING A SUCCESSFUL DECADE

DIVERSIFICATION FUELS GROWTH

Investment in diversification has resulted in a stronger than ever financial position, enabling us to provide our members with increased security and innovative services.

**“TO OUR MEMBERS,
DIVERSIFICATION
BRINGS INCREASED
SECURITY THROUGH
SOLID FINANCIAL
FLEXIBILITY AND
NEW SERVICES
THAT MEET THEIR
CHANGING AND
SPECIALISED
INSURANCE NEEDS”**

Year 2012 closed a decade marked by accomplishments; stronger than ever financial stability, the introduction of new non-mutual product lines, the expansion of our global reach and the building of an organisation that delivers top quality service to our members. Piloting this journey has been an honour, and with all success factors for future growth, I'm confident we are in a unique position as a leading marine insurance provider.

Last year, as a validation to our commitment to financial strength and profitable growth, we were upgraded to 'A' by Standard & Poor's. Ten consecutive years of underwriting surplus is also an exceptional achievement among P&I clubs – the strongest underwriting track record in the International Group.

STRENGTH THROUGH DIVERSIFICATION

Our robust financial position is the result of a successful diversification strategy, a crucial investment in the future of Skuld. Our Lloyd's syndicate is exceeding our expectations. New products – Offshore, Yacht and Fixed P&I, to name a few – are making a significant impact on the bottom line. Skuld Offshore in particular delivered impressive premium growth – from USD 21 mill. in 2011 to 30 mill. in 2012 – which makes me confident that we can reach our target of 45 mill. this year. To our members, diversification brings increased security through solid financial flexibility and new services that meet their changing and specialised insurance needs.

P&I will continue to be the backbone of our business, but non-mutual products are imperative for Skuld's future growth and stability. An increasingly demanding regulatory landscape poses a challenge for P&I clubs purely focusing on mutual activity. The mutual business is a mature market, and clubs must seek growth from commercial solutions in order to provide their members with the best possible



security. Our commitment to diversification is stronger than ever; our goal is to increase the proportion of non-mutual business from 30% to 50% by 2020, without compromising a disciplined risk profile.

CUSTOMERS AT THE HEART OF INNOVATION

As much as sustainable growth, service is fundamental to our success: continuous feedback from customers validates our excellence. Going the extra mile for our members is the key to developing new products and winning new customers. Working close to our members and offering individual hands-on service has always been a key cornerstone for us at Skuld.

Skuld now has a strong platform prepared for future commercial growth. Customer-oriented innovation is crucial to us – not only in terms of new products, but also regarding how we do our business. We take great pride in developing our processes to support efficient and accurate service deliveries. We continuously seek new partnerships and build alliances to further strengthen our services and competence offering to our members.

Combine superior service and customer-driven innovation with the talents of our people, and you have a winning formula. Skuld attracts highly competent people who create more value to our members. Only through them have we achieved the vision of becoming one of the foremost marine insurers in the world.

With this team of dedicated people, I look forward to continuing our successful journey and delivering excellence to our members and clients.

DOUGLAS JACOBSON
PRESIDENT & CEO

QUALITY RATHER THAN QUANTITY

Skuld is changing. 2012 marked a number of milestones in the metamorphosis of the association from a Scandinavian P&I Club to an international marine insurance group.

“YES, OUR GOALS INVOLVE QUANTITY IN TERMS OF GROWTH, BUT AT THE SAME TIME WE WANT TO BRING IN THE VERY BEST OF QUALITY INTO EVERYTHING WE DO. THIS IS A VERY CLEAR RED LINE IN OUR STRATEGY”

This year we saw an unchallenged record of ten years of underwriting surplus, which is an impressive achievement. It was a challenging year for the P&I industry owing to record high total cost of pool claims in the International Group, but Skuld fared well. Despite a tough renewal environment where premiums had to increase, I am very pleased to note a successful renewal for Skuld. We received a wide range of enquiries and added substantial quality tonnage.

NEVER COMPROMISE ON THE MUTUALITY

While growing, we still prioritise a modest risk profile and keep focusing on quality tonnage. In doing so, we wish to set an example for all P&I clubs to never compromise on the mutuality and what is best for the members.

Skuld's 2012 clean Standard and Poor's 'A' rating, stable outlook, is the result of a strong strategic foundation and a high-performing management team under the leadership of Douglas Jacobsohn. We continue to have strong results year after year, which underline the success of Skuld's strategy and the full organisation's dedication to service.

A SIGNIFICANT FORCE IN MARINE INSURANCE

For me as a member, it is important that Skuld goes for quality rather than quantity. As a result, Skuld competes with the best although we're not competing in size. Take a look at our diversification; We have become a significant and serious force in marine insurance, yet with our feet still firmly on the ground.

Last year saw new offices in Oslo, London and Piraeus and the re-opening in Singapore. Our global footprint in terms of reach and offering is increasing and we are constantly improving our processes and service level. To members and clients, Skuld really does add value. New members are joining us. In a high cost market, this would



be easy to achieve by resorting to low prices, but we do not. Members favour Skuld because we have a strong and high-quality brand based on unmatched service, in-depth knowledge and experience, as well as a strong financial rating.

Yes, our goals involve quantity in terms of growth, but at the same time we want to provide the very best quality in everything we do. This is a very clear red line in our strategy. We have invested heavily, and successfully, in our staff – our most valuable asset – in order to have the best people in the right places.

OUTSTANDING QUALITY OF SERVICE

The talents of our people is crucial to us, as it enables us to deliver high quality service to our members - the cornerstone of Skuld's successful strategy. Service is everything across the organisation; from the CEO, management and every single employee. As Chairman and as a member, I can genuinely vouch for it.

I know I speak for the board, for the members' committee and for fellow members when I say that the Skuld approach to solving a member's problem or case is unique. Outstanding service and flexibility comes alive through a hands-on approach, empowerment and short lines of command. Service can never stand alone, but needs to be fuelled by strong finances and driven by a strong management team. Skuld has both.

As Chairman, I enjoy the professional relationship between the board and members' committee, management and staff. Our strategy has delivered more value to all members, and we are committed to our long-term goals. I invite all of you to share my confidence in looking forward to more growth and strong results.

A handwritten signature in black ink, appearing to read 'Klaus Kjærulff'. The signature is fluid and cursive, written over a white background.

KLAUS KJÆRULFF
CHAIRMAN OF THE BOARD

KEY FIGURES 2012

WELL CAPITALISED AND READY FOR THE FUTURE

Skuld ended 2012 with a positive result of USD 18 million. Record high pool claims costs reduced underwriting profit compared to previous years. However, our clear focus on controlled underwriting while growing has delivered positive technical results for an entire decade.

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With the positive contributions from investments, contingency reserves have been lifted to USD 308 million. The Skuld Group now has a record strong capitalisation, achieved through disciplined and strategic growth. The upgrade to A rating, stable outlook, by Standard and Poor's was an important validation of our strategy.

Premium income growth is mainly driven by the growth in our Lloyd's syndicate 1897 operation. Skuld's 58.3% ownership in the Lloyd's syndicate is consolidated into the Skuld Group figures. The churn-effect on the mutual owners' book of business, a challenge for the whole P&I industry, slows down premium growth.

The significant rise in costs of pool claims reported by other P&I clubs has led to a deficit on the mutual P&I book of business. Skuld had no pool claims in 2012, but we still have to reserve and pay our share of the pooling system within the International Group of P&I clubs. The balanced

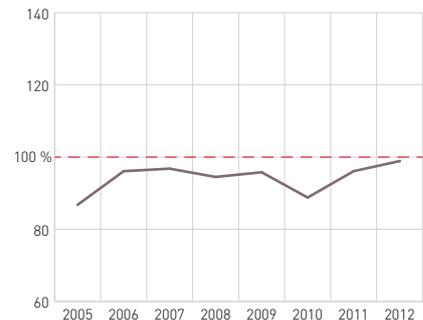
underwriting result is mainly derived from profits on our non-mutual book of business such as P&I cover for charterers and offshore. The Lloyd's 1897 syndicate shows a deficit mainly due to costs arising from its first year of underwriting. The syndicate is growing and is expected to deliver positive results back to the Skuld Group in the coming years.

Net investment income contributed positively with USD 18.7 million. Skuld continues to have a moderate risk profile on its investment portfolio which reflects the 3.0% investment return for 2012. The majority of invested assets are allocated to low risk bonds with modest returns in the current financial environment. A conservative risk profile has been a strategic choice for Skuld in order to reduce volatility and secure sufficient capital for further growth of the Skuld Group.

For many years, Skuld has relied on its Enterprise Risk Management in order to control risk appetite, growth and capitalisation. In recent years, this focus has been put into the context of the new EU regulation of insurance entities Solvency II. Skuld has continued its preparations for Solvency II although the start date has been moved forward and will be implemented in 2015 at the earliest.

COMBINED RATIO

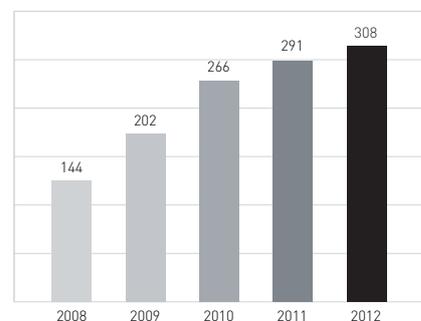
\ In percent



The combined ratio is a measure of underwriting performance calculated by the sum of claims and operation expenses as a percentage of premium income. A ratio below 100% indicates a positive underwriting result, while a ratio above 100% means that more money is paid out in claims than what is received in premiums.

CONTINGENCY RESERVE

\ USD mill



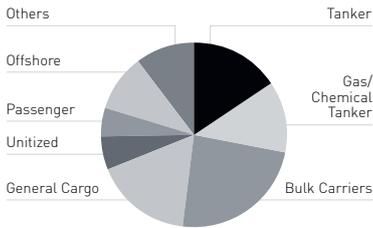
TRANSPARENCY POLICY

Skuld is the only member of the International Group of P&I clubs that publishes half year and third quarter reports in addition to the annual statement and has done so since 2003.

Transparent, clear and precise communication with members and clients, brokers, the general public and the media is a priority for Skuld. Our objective is to ensure that all information that is made available by Skuld is accurate and relevant, and we continuously develop our communication with stakeholders.

PREMIUMS DISTRIBUTED*

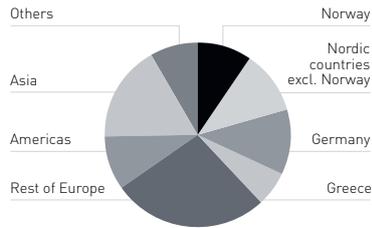
\ By vessel type



* Total gross premium all products: USD 300 million

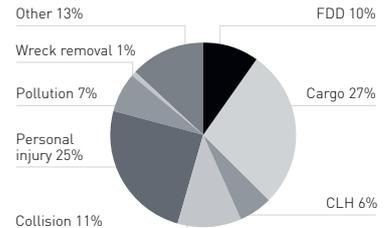
PREMIUMS DISTRIBUTED

\ By region



DISTRIBUTION OF CLAIMS COSTS

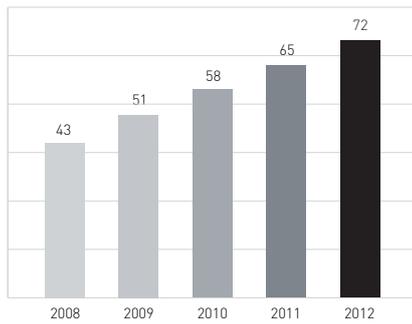
\ In percent



Only claims relating to the Association included in the above chart.

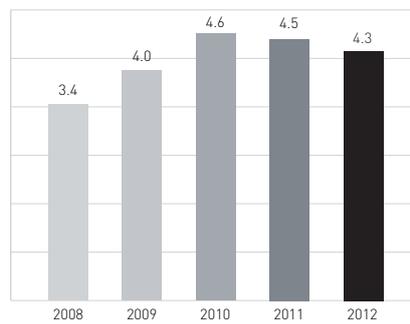
P&I OWNERS' GT

\ Mill. GT



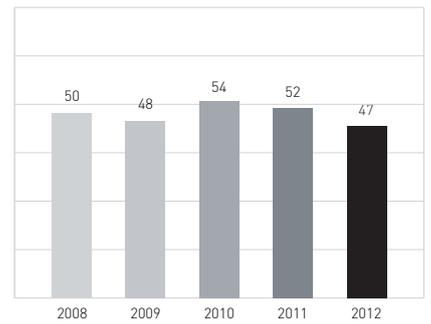
CONTINGENCY RESERVES PER GT

\ USD



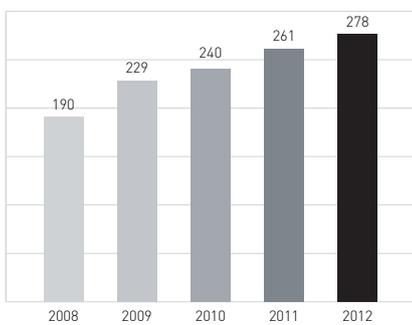
CHARTERERS' LIABILITY GROSS PREMIUM

\ USD mill.



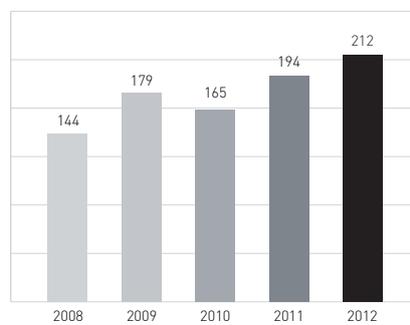
PREMIUMS AND CALLS FOR OWN ACCOUNT

\ USD mill.



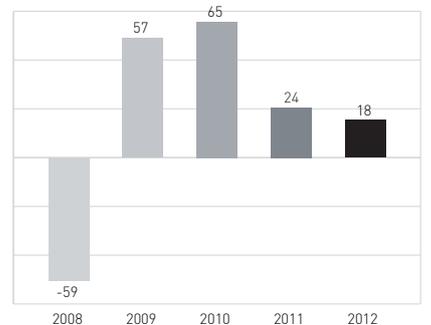
CLAIMS INCURRED FOR OWN ACCOUNT*

\ USD mill.



BALANCE CARRIED TO CONTINGENCY RESERVE

\ USD mill.



* A proportion of overhead related to claims handlers has been allocated to claims since 2003.

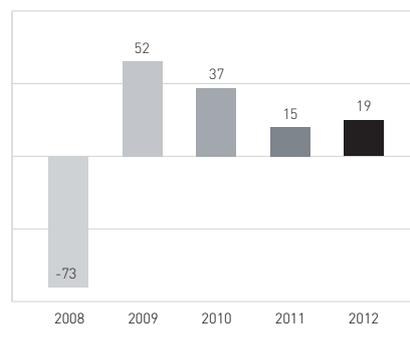
INVESTMENT PERFORMANCE

\ In percent



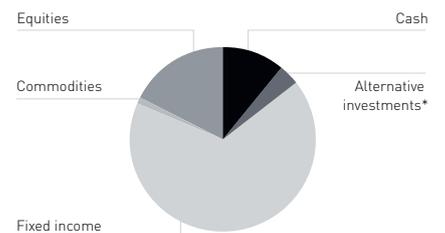
NET INVESTMENT RETURN

\ USD mill.



BREAKDOWN OF INVESTMENTS BY TYPE

\ In percent



* Consists of: hedge funds. Private equity

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

MUSD	2012	2011	2010	2009	2008
TECHNICAL ACCOUNT					
Premiums and calls	317.9	300.0	272.4	255.4	213.2
Reinsurance premiums	-40.2	-38.5	-32.3	-26.5	-23.3
Premiums for own account	277.7	261.5	240.1	228.9	189.9
Claims incurred for own account	-212.2	-193.7	-165.1	-179.0	-144.3
Acquisition costs	-50.5	-43.0	-33.5	-30.2	-22.6
Administrative expenses	-14.1	-13.2	-10.9	-9.0	-10.1
Net operating expenses	-64.6	-56.1	-44.4	-39.2	-32.7
Balance carried to non-technical account	1.0	11.7	30.6	10.6	12.9
NON TECHNICAL ACCOUNT					
Balance from technical account	1.0	11.7	30.6	10.6	12.9
Net investment income	18.7	14.7	37.0	52.1	-73.1
Taxes	2.0	2.0	-3.0	-5.7	0.9
Balance carried to contingency reserve	17.5	24.4	64.6	57.0	-59.3

BALANCE SHEET

MUSD	2012	2011	2010	2009	2008
ASSETS					
Financial investments	641.8	628.8	597.8	514.0	396.8
Debtors	7.9	10.0	4.6	9.3	1.2
Other assets	92.8	72.8	58.5	37.3	40.0
Prepayment and accrued income	15.4	11.0	10.2	6.7	3.4
Total assets	757.9	722.7	671.1	567.3	441.5
LIABILITIES					
Provision for outstanding claims for own account	412.1	402.2	367.5	333.2	273.2
Contingency reserve	308.4	291.4	266.4	201.5	144.0
Technical provisions for own account	720.5	693.7	633.9	534.7	417.1
Provisions for other liabilities	8.3	10.9	9.6	14.8	7.3
Creditors	13.6	11.1	21.0	11.9	16.2
Accruals and deferred income	15.5	7.0	6.6	6.0	0,8
Total liabilities	757.9	722.7	671.1	567.3	441.5

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



SKULD VISION & VALUES

VISION

Skuld will be a world leading marine insurance provider through innovation, financial strength and the talents of our people.

VALUES

ACCURATE

Accuracy is the backbone of our approach to marine insurance. We never compromise on precision, reliability and quality. We assess and quantify risk at a correct price.

BOLD

We take a leading role in transforming our industry for future challenges. We look beyond today to envision the marine insurance industry of tomorrow. We embrace transparency, both internally and externally, as a foundation for innovation.

CARING

We care for our customers, keeping close to them and their business. We care about our people, working together in teams and across organisational boundaries. And we care for our business, sharing information and promoting diversity and entrepreneurial spirit.

DEDICATED

We have a hands-on approach to serving members. We are committed to efficient and personalised claims handling. And we are dedicated to serving our international member base – around the clock and across the globe.