

A red circle containing the year "2013" in white, sans-serif font. The background of the entire page is a black and white photograph of a woman with long dark hair looking at a laptop screen displaying a bar chart, with a man smiling in the lower right corner.

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# HALF YEAR REPORT

20.02.13–20.08.13

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## DIVERSIFICATION BEARING FRUIT

The first half of 2013 was marked by strong growth in Skuld's commercial operations, further validation to the group's sector-leading operating performance and challenging business environment affected by large pool claims and volatile financial markets.

Premium income increased 17% compared with the first half of last year, mainly due to growth in Skuld 1897 but also from a successful 2013 renewal on the P&I business. Despite Skuld's strong performance, the overall marine insurance industry has been navigating in unpredictable waters. We've seen some unusually large claims, and the nature of mutuality means Skuld will also share the cost of these events. Our members have not been exposed to major incidents, but significant pool claims will, without a doubt, leave their mark in the industry.

At the half year ending 20 August 2013, Skuld's contingency reserves stood at a record high of USD 320 million – an improvement of USD 27 million (9,2%) compared with the 2012 half year result. Despite volume growth the claims costs are at the same level as at the 2012 half year result. The positive development is a combined effect of positive development on claims from previous policy years and the absence of any major claims in the first half of 2013. Frequency claims remain at a level close to budget expectations. At Skuld, we take a conservative view on the expected costs coming from the P&I clubs' claims pool but note that the estimated costs at half year are below the record high level in 2012.

Administrative expenses have increased compared with the 2012 half year result mainly as a consequence of investments for further growth.

The investment result continues to be volatile under the current financial market conditions. Increased interest rates have had a negative effect on the fixed income portfolio. The negative returns in fixed income have been mitigated by positive returns on the equity portfolio. The investment income before exchange rate effects stands at USD 10 million, however the recent strengthening of the USD resulted in a zero net investment income result after exchange rate adjustments.

The consolidated result is taking into account Skuld Group's majority share of Skuld 1897 in its third year of performance.

Last, but not least: As a demonstration of our dedication to innovation and transparency, Skuld's Board of Directors approved a member loyalty bonus programme that will reward mutual members based on the Skuld Group's performance in commercial operations. Skuld's non-mutual product lines have been the key success factor for achieving the industry's longest track record of underwriting surpluses, and have been important contributors to the growth in Skuld's contingency reserves.

Yours sincerely  
Assuranceforeningen Skuld (Gjensidig)



**DOUGLAS JACOBSON**  
PRESIDENT AND GROUP CEO

## HIGHLIGHTS

- Bottom-line result of USD 12 million increasing contingency reserves to a record high of USD 320 million
- Underwriting surplus of USD 13 million and corresponding combined ratio of 93%
- Sector leading operating performance with 11 years of underwriting surpluses
- S&P affirming clean A rating with 'stable outlook' in July 2013

# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT AS OF 20.08.13

MUSD	2013 (Q2)	2012 (Q2)
<b>TECHNICAL ACCOUNT</b>		
Premiums and calls	179.0	153.5
Reinsurance premiums	-25.2	-19.0
<b>Premiums for own account</b>	<b>153.8</b>	<b>134.5</b>
<b>Claims incurred for own account</b>	<b>-104.0</b>	<b>-104.5</b>
Acquisition costs	-27.7	-21.6
Administrative expenses	-9.0	-5.7
<b>Net operating expenses</b>	<b>-36.7</b>	<b>-27.2</b>
<b>Balance carried to non-technical account</b>	<b>13.1</b>	<b>2.7</b>

MUSD	2013 (Q2)	2012 (Q2)
<b>NON-TECHNICAL ACCOUNT</b>		
Balance from technical account	13.1	2.7
Net investment income	-0.4	0.3
Taxes	-0.9	-0.9
<b>Balance carried to contingency reserve</b>	<b>11.7</b>	<b>2.1</b>

# BALANCE SHEET AS OF 20.08.13

MUSD	2013 (Q2)	2012 (Q2)
<b>ASSETS</b>		
Financial investments	668.2	631.5
Debtors	59.8	41.4
Other assets	116.6	100.6
Prepayment and accrued income	14.2	9.6
<b>Total assets</b>	<b>858.9</b>	<b>783.1</b>

<b>LIABILITIES</b>		
Provision for outstanding claims for own account	418.7	398.8
Contingency reserve	319.9	293.0
<b>Technical provisions for own account</b>	<b>738.6</b>	<b>691.8</b>
Provisions for other liabilities	8.1	8.8
Creditors	7.0	12.9
Accruals and deferred income	105.2	69.7
<b>Total liabilities</b>	<b>858.9</b>	<b>783.1</b>

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



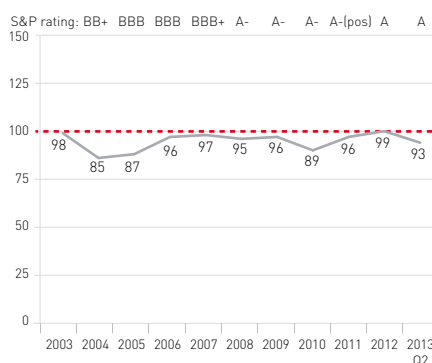
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## COMBINED RATIO

/ IN PERCENT



## CONTINGENCY RESERVES

/ MUSD

