

# Renewal update 1

## policy year 2022/23

Skuld's Board of Directors met in Copenhagen 4 November 2021 to discuss the upcoming P&I renewal for the policy year starting 20 February 2022. Below follow the main conclusions.

Skuld has long since abandoned the concept of a general increase and stands firmly with the principle of rating based on individual performance. However, due to continued under-performance of the mutual portfolio and growing concern from the rating agencies in relation to the overall performance of the mutual P&I market, the Board sees a need for rate rectification at this coming renewal.

The mutual portfolio is the backbone of Skuld, and its performance has been underpinned by a strong level of performance from Skuld's commercial portfolio. Skuld's diversification strategy has since its inception been a success and an important contributor to the mutuality. Despite this, the performance of the mutual portfolio is currently at such a low level that it is resulting in capital erosion.

Mutual rate adjustments at recent renewals have shown to inadequately cater for the significant increase in severity for pool and large claims. In addition, the negative effects of general inflation and Covid-19, such as increased costs due to repatriation, quarantine, and substitution of crew, are not reflected in current mutual rates. Furthermore, the overall levels of global investment volatility and outlook of more modest returns highlight the need for securing a more balanced underwriting result for the club.

Therefore, the Board sees the need to adequately address the challenging mutual underwriting performance during the upcoming renewal. The Board decided the following corrective actions in terms of re-rates:

- A minimum market adjustment of 10% for all mutual P&I and FDD tonnage regardless of performance
- Additional individual adjustments for members with challenging records
- Adjustment of any changes in the International Group reinsurance rates

Commercial P&I renewals will be subject to individual performance adjustments with an additional focus on increased large and attritional claims exposures and increased reinsurance costs.

The International Group Excess Reinsurance will be adjusted after new reinsurance rates have been agreed. A circular will be issued when a decision has been taken by the International Group.

The Board recognises the necessity for the above-mentioned re-rates in order to secure the sustainability of the mutual portfolio and Skuld's financial position.

## RELEASE CALL 2022/23

The release call for Policy Year 2022/23 was set to 15% while previous years remain unchanged. The applicable release calls are presented below:

2019/20	7.5%
2020/21	10%
2021/22	15%
2022/23	15%

Yours faithfully,  
Assuranceforeningen Skuld (Gjensidig)



Ståle Hansen  
President and CEO