



ALMOST INVISIBLE
COMPLETELY INDISPENSABLE

SKULD ACCOUNTS 2008

CONSOLIDATED
INCOME AND
EXPENDITURE
ACCOUNT

All figures in USD 1000	Note	2008	2007
TECHNICAL ACCOUNT			
Premiums and calls			
Gross premiums and calls	2	213 239	192 654
- Reinsurance premium		-23 350	-20 012
Earned premiums and calls for own account		189 889	172 642
Claims incurred			
Gross claims paid	3	188 895	125 960
- Reinsurance recoveries	3	-47 895	-2 906
Gross change in estimated outstanding claims	3	-58 192	178 096
- Reinsurers share	3	61 492	-164 096
Claims incurred for own account		144 301	137 054
Operating expenses			
Acquisition costs	4	22 617	20 278
Administrative expenses	4	10 059	9 189
Net operating expenses		32 675	29 467
Balance carried to non-technical account		12 913	6 122
NON-TECHNICAL ACCOUNT			
Balance from technical account		12 913	6 122
Investment income			
Investment income		16 374	1 638
Unrealised gains / loss on investments		-54 186	-11 808
Realised gains / loss on investments		-37 061	19 762
Total investment income		-74 873	9 591
Investment expenses			
Investment management expenses		777	778
Foreign exchange adjustments			
Foreign exchange adjustments		2 518	-127
Balance before tax on ordinary activities		-60 219	14 807
Taxes			
Taxes		-874	3 266
Balance carried to contingency reserve		-59 346	11 541

BALANCE
SHEET AS
OF 20.02.09

All figures in USD 1000	Note	2008	2007
ASSETS			
Financial assets			
Real estate		251	248
Mortgages		1 580	1 693
Other loans		478	474
Alternative investments	6	25 498	40 550
Financial instruments	6	135	0
Shares	6	41 329	144 675
Bonds	6	327 568	273 723
Total financial assets		396 839	461 363
Debtors			
Members and brokers		319	5 410
Reinsurers		68	280
Other debtors		844	813
Total debtors		1 231	6 504
Other assets			
Fixed assets	5	3 194	3 463
Pension assets		1 954	1 797
Cash at bank		34 881	28 387
Total other assets		40 029	33 648
Prepayments and accrued income			
Prepayments and accrued income	7	3 374	3 386
Total assets		441 473	504 901
LIABILITIES			
Technical provisions			
Provisions for outstanding claims for own account	9	273 179	280 930
Contingency reserve	8	143 967	203 518
Technical provisions for own account	9,10	417 146	484 448
Provisions for other liabilities			
Pension liabilities		4 912	5 210
Provision for taxation		2 410	3 584
Total provisions for other liabilities		7 323	8 794
Creditors			
Members and brokers		8 123	2 134
Reinsurers		4 647	3 622
Other creditors		3 445	2 481
Total creditors		16 215	8 238
Accruals and deferred income			
Accruals and deferred income		789	3 421
Total liabilities		441 473	504 901

Berlin, 5 June 2009

 Erik Gløersen	 Klaus Kjærulf	 Sergey Popravko	 Sandro Vuylsteke
 Trygve Seglem	 Nils Aardal	 Peter Wilsund	 Ulrika Leikvang
 John P. Tavlarios	 Ulf G. Ryder	 Marnix J. van Oberkift	 Douglas Jacobsohn CEO

Note 1 ACCOUNTING POLICY

The accounts are prepared in USD, but in the official accounts for Skuld, USD has been converted to NOK and Norwegian language has been used.

Furthermore, the accounts have been prepared in compliance with the regulations from the Norwegian Banking, Security and Insurance Commission. These regulations are based on EU accounting standards.

The USD accounts are based on the official accounts, but some reclassifications have been made to make the accounts more comparable to the accounts of the other P&I clubs.

- Provisions for bad and doubtful debts are included in calls and premiums.
- Interest on overdue payments is included in calls and premiums
- Claims management expenses are included in claims incurred.

There are also some deviations from the official accounts in the Notes.

Basis of accounting

The accounts are prepared on an annual accounting basis and include the following:

- All premiums for policies commencing during the year.
- The cost of claims incurred and reinsurance for the current year.
- Any adjustments relating to earlier years.
- Operating expenses and investment income.

Consolidation

The consolidated accounts include the accounts for Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd., and the Association's subsidiaries: Vika Management AS, Skuld Seminar Services AS, Skuld AB (New), Skuld Germany GmbH, Skuld Insurance Eastern Europe ZAO, Moskva, Skuld Far East Ltd., Skuld Hellas Ltd., Alvema SA and APS Generalagenturet for Skuld, Copenhagen.

In the accounts, shares in subsidiaries, receivables from and payables to subsidiaries, and transactions between the Association and the subsidiaries, have been eliminated.

Calls and Premiums

Calls and premiums include gross calls and supplementary calls, less return premiums and provisions for bad and doubtful debts. These calls and premiums are the total receivable for the whole period of cover provided by the contracts commencing during the accounting period, together with any premium adjustments relating to prior accounting years.

The calls and premiums include provisions for estimated future supplementary calls in respect of open policy years.

Claims

The claims expenses include all claims incurred during the year together with claims management expenses. The technical provision for claims outstanding includes an element of claims incurred but not reported (IBNR). Historical data is used in assessing IBNR. Provision for the cost of future claims handling is not included.

Reinsurance premiums

These include premiums payable to market underwriters, charged to the consolidated income and expenditure account on an accruals basis.

Reinsurance recoveries

Reinsurance recoveries are accrued to match relevant claims, and include estimated recoveries on estimated outstanding claims.

Operating expenses

Account is taken of accruals and prepayments in arriving at operating expenses.

Foreign currency

Assets and liabilities have been translated to USD at the rate of exchange on the balance sheet date.

Investments

Account is taken of accrued interest on fixed interest securities and deposits; dividends are credited when receivable.

The investments are assessed at market value on the balance sheet date.

Note 2 PREMIUMS DISTRIBUTED BY COUNTRY

Country	Premiums	%
Norway	24 533	11,5%
Nordic countries excl. Norway	31 809	14,9%
Germany	25 825	12,1%
Greece	13 536	6,3%
Rest of Europe	64 871	30,4%
USA	15 700	7,4%
Far East	27 478	12,9%
Other	9 487	4,4%
Total gross premiums and calls	213 239	100,0%

Note 3 NET CLAIMS INCURRED

	2008	2007
Gross claims paid		
Members' claims	204 746	144 133
Group Pooling arrangements	-15 850	-18 173
Gross claims paid	188 895	125 960
Reinsurers' share		
Group Pooling arrangements	-46 043	-943
Market underwriters	-1 852	-1 962
Other P&I Associations	0	0
Reinsurers' share	-47 895	-2 906
Net claims paid	141 000	123 054
Change in provision for gross claims		
Provision opening balance	493 205	308 240
Provision closing balance	424 337	493 205
Change in currency valuation at year end	10 676	-6 869
Change in provision for gross claims	-58 192	178 096
Less movements in provision for reinsurers' share		
Provision opening balance	-212 275	-48 228
Provision closing balance	-151 158	-212 275
Change in currency valuation at year end	375	-50
Less movements in provision for reinsurers' share	61 492	-164 096
Change in provision for future claims		
Net change in claims provision	3 300	13 999
Claims incurred for own account	144 301	137 054

Note 4 NET OPERATING EXPENSES

	2008	2007
Administrative expenses	10 059	9 189
Salary, etc.	5 743	5 359
Commissions	11 976	10 837
Marketing	1 989	1 641
Surveys	329	196
Other acquisition costs	2 580	2 244
Acquisition costs	22 617	20 278
Net operating expenses	32 675	29 467

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

In accordance with Schedule 3 of the international Group Agreement, the Association is required to disclose the Average Expense Ratio for the Association's P&I business.

The operating expenses include all expenditure incurred in operating the Association's P&I business, excluding expenditure dealing with claims and a reasonable allocation of general overhead expenses. The premium includes all earned premium allocated to the policy year of origin.

For the five years ended 20th February 2009, a ratio of 12.7% (10.4% at 20th February 2008) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

Note 5 FIXED ASSETS

	Fixed assets
Cost	
As at 20th February 2008	9 285
Purchases in the year	1 055
Sales / Scrapping in the year	538
As at 20th February 2009	9 802
Depreciation	
As at 20th February 2008	5 822
Depreciation on sold / scrapped assets	502
Depreciation this year	-1 289
As at 20th February 2009	6 609
Net book value	
As at 20th February 2008	3 463
As at 20th February 2009	3 194

Note 6 FINANCIAL INVESTMENTS

	2008 Market value	2007 Market value
Shares		
Norwegian shares	112	601
Foreign shares	41 217	144 074
Total shares	41 329	144 675
Bonds		
Treasuries	140 460	34 949
Asset Backed Securities	23 478	29 053
Mortgage Backed Securities	7 069	8 932
Corporate Securities	91 627	127 503
Government Agency Securities	25 335	32 664
Cash and Money Market	39 600	40 623
Total bonds	327 568	273 723
Alternative investments		
Commodity derivatives	3 315	13 872
Hedge Funds	17 064	24 032
Private Equity	5 119	2 645
Total alternative investments	25 498	40 550

FINANCIAL INVESTMENTS

Contract description	Settlement date	Currency bought forward	Currency sold forward	Fair value 20.02.2008
NOK/USD bought forward	12-03-09	18 800	2 670	42
"	14-04-09	5 500	781	10
"	14-05-09	9 300	1 321	15
"	11-06-09	7 100	1 008	11
"	14-07-09	6 700	952	9
"	13-08-09	5 200	739	7
"	14-09-09	7 500	1 065	10
"	14-10-09	5 300	753	6
"	12-11-09	7 100	1 008	8
"	03-12-09	7 900	1 122	9
"	14-01-10	7 000	994	5
"	11-02-10	6 000	852	3
		93 400	13 265	135

Note 7 PREPAYMENTS AND ACCRUED INCOME

	2008	2007
Accrued interest	13	108
Other prepayments	3 361	3 279
Prepayments and accrued income	3 374	3 386

Note 8 CONTINGENCY RESERVE

	2008	2007
Contingency reserve opening balance	203 518	191 366
Balance carried forward to contingency reserve	-59 346	11 541
Difference related to subsidiaries	-205	610
Contingency reserve closing balance	143 967	203 518

Note 9 PROVISIONS FOR OUTSTANDING CLAIMS BY POLICY YEAR

	2008	2007	2006	Closed years	Total
Gross estimated outstanding including IBNR associations' pool-claims	75 395	182 764	33 915	83 616	375 690
including IBNR	6 113	7 730	15 481	19 323	48 647
Gross provision for outstanding claims	81 509	190 494	49 395	102 940	424 337
Estimated outstanding recoveries including IBNR from:					
Pooling agreements	0	37 673	-258	3 213	40 628
Group excess loss	0	86 250	0	3 526	89 776
Other reinsurers' share	4	-5 081	7 596	18 236	20 755
Total estimated outstanding recoveries	4	118 841	7 338	24 974	151 158
Provisions for outstanding claims for own account	81 504	71 653	42 057	77 965	273 179
Contingency reserve	-68 300	-10 913	33 395	189 785	143 967
Technical provisions for own account	13 204	60 740	75 452	267 751	417 146

Note 10 TECHNICAL PROVISIONS FOR OWN ACCOUNT

	2008	2007
P&I		
Gross estimated outstanding including IBNR	357 668	429 318
The Association's estimated share of other associations' pool-claims including IBNR	48 647	50 598
Gross provision for outstanding claims	406 315	479 916
Estimated outstanding recoveries from:		
Pooling agreements	-40 628	-86 479
Other reinsurers' share	-110 630	-125 896
Total estimated outstanding recoveries	-151 258	-212 375
Provision for outstanding claims for own account	255 056	267 541
FD&D		
Gross estimated outstanding including IBNR	18 023	13 288
The Association's estimated share of other associations' pool-claims including IBNR	0	0
Gross provision for outstanding claims	18 023	13 288
Estimated outstanding recoveries from:		
Pooling agreements	0	0
Other reinsurers' share	100	100
Total estimated outstanding recoveries	100	100
Provision for outstanding claims for own account	18 123	13 389
Total P&I and FD&D		
Provision for outstanding claims for own account	273 179	280 930
Contingency reserve	143 967	203 518
Technical provision for own account	417 146	484 448

Note 11 OFF-BALANCE SHEET ITEMS

Guarantees

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 354.2 mill have been issued in connection with claims, of which the latter makes up by far the greater part. The face value of these guarantees greatly exceed the expected payments from the related claims. The expected payments from these claims are fully covered in the provisions made for outstanding claims.

The Association has entered into a 10 years lease period for the Oslo office building starting 01.12.2002.

Note 12 FINANCIAL RISK

Interest and currency risks are integrated in the Asset-Liability Management. Asset- and liability sensitivities are "matched" - immunising the claim liabilities towards changes in the general interest rate level. Changes to the value of the Association's fixed income securities are accompanied by a corresponding revaluation of the claim liabilities' present value. This is achieved by managing the fixed income portfolio around a constant duration, based on the weighted claim duration of 2.3 years. The currency mix of the liabilities is matched with an appropriate amount of assets. Derivative contracts (swaps and forward contracts) are used to improve the matching.

The stock portfolio is managed passively, benchmarked against the MSCI All Country World Index. This implies a risk profile consistent with the global stock market, without overweight towards specific sectors, countries or regions.

Note 13 POLICY YEAR STATEMENT BY CLASS AS AT 20.02.08

	2008	2007	2006
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2008	0	181 405	169 061
current accounting year	199 894	1 908	286
	<u>199 894</u>	<u>183 312</u>	<u>169 347</u>
Supplementary calls levied in:			
years to 20th February 2008	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	199 894	183 312	169 347
Reinsurance premiums	-23 758	-18 141	-21 326
	176 136	165 171	148 021
Claims incurred net of reinsurance recoveries	-138 693	-153 668	-122 989
	<u>37 443</u>	<u>11 503</u>	<u>25 031</u>
Net operating expenses	-30 594	-27 793	-25 846
Net investment income	-69 486	8 253	32 162
Taxes	830	-3 101	12
Total P&I	-61 808	-11 138	31 358
FD&D			
Advance calls, releases and other gross premiums charged in:			
years to 20th February 2008	0	9 237	7 763
current accounting year	10 560	585	15
	<u>10 560</u>	<u>9 821</u>	<u>7 778</u>
Supplementary calls levied in:			
years to 20th February 2008	0	0	0
current accounting year	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total calls and premiums	10 560	9 821	7 778
Reinsurance premiums	0	0	0
	<u>10 560</u>	<u>9 821</u>	<u>7 778</u>
Claims incurred net of reinsurance recoveries	-11 625	-8 185	-5 889
	<u>-1 065</u>	<u>1 637</u>	<u>1 889</u>
Net operating expenses	-1 825	-1 675	-1 348
Net investment income	-3 647	429	1 495
Taxes	44	-165	1
Total FD&D	-6 493	225	2 037
Total P&I and FD&D	-68 300	-10 913	33 395

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.

Note 14 POLICY YEAR STATEMENT AS AT 20.02.09 – MUTUAL AND FIXED BUSINESS

	2008	2007	2006
Mutual			
Total calls and premiums	155 496	134 807	122 956
Reinsurance premiums	-15 188	-11 867	-14 584
	140 308	122 940	108 372
Claims incurred net of reinsurance recoveries	0	0	0
	-115 293	-124 239	-96 600
	25 015	-1 300	11 772
Net operating expenses	-23 573	-20 789	-19 315
Net investment income	-53 817	6 225	24 165
Taxes	649	-2 341	9
Total Mutual	-51 726	-18 205	16 630
Fixed			
Total calls and premiums	54 957	58 327	52 515
Reinsurance premiums	-8 569	-6 274	-6 742
	46 388	52 053	45 773
Claims incurred net of reinsurance recoveries	-35 025	-37 614	-32 279
	11 363	14 439	13 494
Net operating expenses	-8 847	-8 679	-7 878
Net investment income	-19 315	2 456	9 492
Taxes	225	-925	3
Total Fixed	-16 574	7 292	15 111
Total Mutual and Fixed business	-68 300	-10 913	31 741

Calls and premiums, reinsurance premiums and claims are allocated to the policy year to which they relate. Commission has been allocated to the respective policy year. Other operating expenses and net investment income have been allocated to the policy year corresponding to the accounting year.



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