



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 938 419 531
Organisasjonsform: Gjensidig forsikringselskap
Foretaksnavn: Assuranceforeningen SKULD
(Gjensidig)
Forretningsadresse: Rådhusgata 27
0158 OSLO

Regnskapsår

Årsregnskapets periode: 21.02.2020 - 20.02.2021

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Randi Gundersen
Dato for fastsettelse av årsregnskapet: 06.05.2021

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 07.12.2022



Resultatregnskap

Beløp i: USD	Note	2021	2020
TEKNISK REGNSKAP FOR SKADEFORSIKRING			
Opptjente bruttopremier	6	387 919 000	335 494 000
Gjenforsikringsandel av opptjente bruttopremier		102 488 000	80 127 000
Sum premieinntekter for egen regning		285 431 000	255 367 000
Erstatningskostnader			
Brutto erstatningskostnader	4,5	263 716 000	165 893 000
Gjenforsikringsandel av brutto erstatningskostnader		20 639 000	-32 617 000
Sum erstatningskostnader for egen regning		243 077 000	198 510 000
Forsikringsrelaterte driftskostnader			
Salgskostnader	7	53 161 000	54 203 000
Forsikringsrelaterte administrasjonskostnader inkl. provisjoner for 7,13 mottatt gjenforsikring		17 379 000	10 233 000
Sum forsikringsrelaterte driftskostnader		70 540 000	64 436 000
Andre forsikringsrelaterte driftskostnader			
Resultat av teknisk regnskap		-28 186 000	-7 579 000
IKKE-TEKNISK REGNSKAP			
Netto Inntekter fra investeringer			
Inntekter fra investeringer i datterforetak, tilknyttede foretak og felleskontrollerte foretak	9	0	0
Renteinntekt og utbytte m.v. på finansielle eiendeler		18 349 000	10 179 000
Verdiendringer på investeringer		46 441 000	35 815 000
Realisert gevinst og tap på investeringer		7 188 000	-3 190 000
Administrasjonskostnader knyttet til investeringer, herunder rentekostnader		1 443 000	981 000
Sum netto inntekter fra investeringer		70 535 000	41 823 000
Resultat av ikke-teknisk regnskap		70 535 000	41 823 000
Resultat før skattekostnad		42 349 000	34 244 000
Skattekostnad		19 409 000	-5 363 000



Resultatregnskap

Beløp i: USD	Note	2021	2020
Resultat før andre inntekter og kostnader		22 940 000	39 607 000
Estimatendringer knyttet til ytelsesbaserte pensjonsordninger	10	-1 399 000	88 000
Øvrige andre inntekter og kostnader		773 000	0
Totalresultat		22 314 000	39 695 000



Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Investeringer			
Bygninger og andre faste eiendommer		0	0
Aksjer og andeler i datterforetak, tilknyttede foretak og felleskontrollerte foretak	9	9 557 000	18 834 000
Fordringer på og verdipapirer utstedt av datterforetak, tilknyttede foretak og felleskontr. foretak	9,15	87 035 000	71 982 000
Datterforetak, tilknyttede foretak og felleskontrollerte foretak		96 592 000	90 816 000
Finansielle eiendeler som måles til amortisert kost		0	0
Aksjer og andeler (inkl. aksjer og andeler målt til kost)	9	240 751 000	199 470 000
Rentebærende verdipapirer	9	480 114 000	482 908 000
Finansielle derivater	9	4 723 000	5 000
Andre finansielle eiendeler	9	34 628 000	24 200 000
Finansielle eiendeler som måles til virkelig verdi		760 216 000	706 583 000
Sum investeringer		856 808 000	797 399 000
Gjenforsikringsandel av brutto forsikringsforpliktelser			
Gjenforsikringsandel av ikke opptjent bruttopremie			
Gjenforsikringsandel av brutto erstatningsavsetning		216 919 000	285 048 000
Sum gjenforsikringsandel av brutto forsikringsforpliktelser		216 919 000	285 048 000
Fordringer			
Forsikringstakere		73 436 000	50 004 000
Fordringer i forbindelse med direkte forretninger		73 436 000	50 004 000
Andre fordringer		643 000	1 886 000
Sum fordringer		74 079 000	51 890 000
Andre eiendeler			
Anlegg og utstyr	8	4 924 000	5 691 000
Kasse, bank	16	141 943 000	106 277 000
Sum andre eiendeler		146 867 000	111 968 000
Forskuddsbetalte direkte salgskostnader		9 785 000	7 406 000



Balanse

Beløp i: USD	Note	2021	2020
Andre forskuddsbetalte kostnader og opptjente ikke mottatte inntekter		8 800 000	11 385 000
Sum forskuddsbetalte kostnader og opptjente ikke mottatte inntekter		18 585 000	18 791 000
SUM EIENDELER		1 313 258 000	1 265 096 000
EGENKAPITAL OG FORPLIKTELSER			
Innskutt egenkapital			
Selskapskapital		0	0
Sum innskutt egenkapital		0	0
Opptjent egenkapital			
Fond m.v.			
Annen opptjent egenkapital	3	424 518 000	402 336 000
Sum opptjent egenkapital		424 518 000	402 336 000
Sum egenkapital		424 518 000	402 336 000
Sum ansvarlig lånekapital m.v.		0	0
Brutto forsikringsforpliktelser			
Avsetning for ikke opptjent bruttopremie		72 116 000	58 746 000
Brutto erstatningsavsetning		620 562 000	632 087 000
Sum brutto forsikringsforpliktelser		692 678 000	690 833 000
Avsetninger for forpliktelser			
Pensjonsforpliktelser o.l.	10	6 966 000	3 824 000
Forpliktelser ved skatt			
Forpliktelser ved periodeskatt	11	13 404 000	4 885 000
Forpliktelser ved utsatt skatt	11	114 131 000	102 094 000
Sum avsetninger for forpliktelser		134 501 000	110 803 000
Forpliktelser i forbindelse med direkte forsikring		10 954 000	7 852 000
Forpliktelser i forbindelse med gjenforsikring		23 681 000	22 085 000
Andre forpliktelser	15	21 210 000	26 037 000
Sum forpliktelser		55 845 000	55 974 000



Balanse

Beløp i: USD	Note	2021	2020
Påløpte kostnader og mottatte ikke opptjente inntekter			
Andre påløpte kostnader og mottatte ikke opptjente inntekter		5 717 000	5 150 000
Sum påløpte kostnader og mottatte ikke opptjente inntekter		5 717 000	5 150 000
SUM EGENKAPITAL OG FORPLIKTELSER		1 313 259 000	1 265 096 000



Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
TEKNISK REGNSKAP FOR SKADEFORSIKRING			
Opptjente bruttopremier	6	390 839 000	337 858 000
Gjenforsikringsandel av opptjente bruttopremier		44 736 000	40 173 000
Sum premieinntekter for egen regning		346 103 000	297 685 000
Erstatningskostnader			
Brutto erstatningskostnader	4	293 037 000	180 748 000
Gjenforsikringsandel av brutto erstatningskostnader		-8 580 000	-52 890 000
Sum erstatningskostnader for egen regning		301 617 000	233 638 000
Forsikringsrelaterte driftskostnader			
Salgskostnader	7	57 946 000	59 288 000
Forsikringsrelaterte administrasjonskostnader inkl. provisjoner for 7,13 mottatt gjenforsikring		17 648 000	9 219 000
Sum forsikringsrelaterte driftskostnader		75 594 000	68 507 000
Andre forsikringsrelaterte driftskostnader			
Resultat av teknisk regnskap		-31 108 000	-4 460 000
IKKE-TEKNISK REGNSKAP			
Netto Inntekter fra investeringer			
Inntekter fra investeringer i datterforetak, tilknyttede foretak og felleskontrollerte foretak	9	2 799 000	2 989 000
Renteinntekt og utbytte m.v. på finansielle eiendeler		17 547 000	10 615 000
Verdiendringer på investeringer		59 147 000	38 002 000
Realisert gevinst og tap på investeringer		7 188 000	-1 600 000
Administrasjonskostnader knyttet til investeringer, herunder rentekostnader		1 496 000	1 589 000
Sum netto inntekter fra investeringer		85 185 000	48 417 000
Andre inntekter og kostnader			
Andre kostnader		8 125 000	24 110 000
Resultat av ikke-teknisk regnskap		77 060 000	24 307 000



Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
Resultat før skattekostnad		45 952 000	19 847 000
Skattekostnad		19 478 000	-5 045 000
Resultat før andre inntekter og kostnader		26 474 000	24 892 000
Estimatendringer knyttet til ytelsesbaserte pensjonsordninger	10	103 000	1 224 000
Øvrige andre inntekter og kostnader		-2 010 000	-624 000
Totalresultat		24 567 000	25 492 000



Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Immaterielle eiendeler			
Sum immaterielle eiendeler		0	0
Investeringer			
Bygninger og andre faste eiendommer			
Aksjer og andeler i datterforetak, tilknyttede foretak og felleskontrollerte foretak	9	9 765 000	8 130 000
Datterforetak, tilknyttede foretak og felleskontrollerte foretak		9 765 000	8 130 000
Finansielle eiendeler som måles til amortisert kost			
Aksjer og andeler (inkl. aksjer og andeler målt til kost)	9	240 751 000	199 470 000
Rentebærende verdipapirer	9	573 644 000	561 210 000
Finansielle derivater	9	4 723 000	5 000
Andre finansielle eiendeler	9	34 628 000	24 199 000
Finansielle eiendeler som måles til virkelig verdi		853 746 000	784 884 000
Sum investeringer		863 511 000	793 014 000
Gjenforsikringsandel av brutto forsikringsforpliktelse			
Gjenforsikringsandel av ikke opptjent bruttopremie			
Gjenforsikringsandel av brutto erstatningsavsetning		160 636 000	231 690 000
Sum gjenforsikringsandel av brutto forsikringsforpliktelse		160 636 000	231 690 000
Fordringer			
Forsikringstakere		73 436 000	58 596 000
Fordringer i forbindelse med direkte forretninger		73 436 000	58 596 000
Fordringer i forbindelse med gjenforsikring		3 716 000	
Andre fordringer		1 688 000	-32 000
Sum fordringer		78 840 000	58 564 000
Andre eiendeler			
Anlegg og utstyr	8	5 870 000	6 995 000
Kasse, bank	16	186 933 000	141 302 000
Andre eiendeler betegnet etter sin art	9		122 836 000
Sum andre eiendeler		192 803 000	271 133 000
Forskuddsbetalte direkte salgskostnader		9 785 000	8 051 000



Konsernets balanse

Beløp i: USD	Note	2021	2020
Andre forskuddsbetalte kostnader og opptjente ikke mottatte inntekter		7 364 000	11 544 000
Sum forskuddsbetalte kostnader og opptjente ikke mottatte inntekter		17 149 000	19 595 000
SUM EIENDELER		1 312 939 000	1 373 996 000
EGENKAPITAL OG FORPLIKTELSER			
Innskutt egenkapital			
Selskapskapital		0	0
Sum innskutt egenkapital		0	0
Opptjent egenkapital			
Fond m.v.			
Annen opptjent egenkapital	3	385 367 000	360 788 000
Sum opptjent egenkapital		385 367 000	360 788 000
Sum egenkapital		385 367 000	360 788 000
Sum ansvarlig lånekapital m.v.		0	0
Brutto forsikringsforpliktelser			
Avsetning for ikke opptjent bruttopremie		72 115 000	62 280 000
Brutto erstatningsavsetning		690 573 000	688 008 000
Sum brutto forsikringsforpliktelser		762 688 000	750 288 000
Avsetninger for forpliktelser			
Pensjonsforpliktelser o.l.	10	8 872 000	7 426 000
Forpliktelser ved skatt			
Forpliktelser ved periodeskatt	11	13 288 000	4 268 000
Forpliktelser ved utsatt skatt	11	112 654 000	101 011 000
Sum avsetninger for forpliktelser		134 814 000	112 705 000
Forpliktelser i forbindelse med direkte forsikring		10 954 000	7 852 000
Forpliktelser i forbindelse med gjenforsikring		2 833 000	1 599 000
Andre forpliktelser		9 738 000	135 866 000
Sum forpliktelser		23 525 000	145 317 000



Konsernets balanse

Beløp i: USD	Note	2021	2020
Påløpte kostnader og mottatte ikke opptjente inntekter			
Andre påløpte kostnader og mottatte ikke opptjente inntekter		6 545 000	4 898 000
Sum påløpte kostnader og mottatte ikke opptjente inntekter		6 545 000	4 898 000
SUM EGENKAPITAL OG FORPLIKTELSER		1 312 939 000	1 373 996 000



FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Assuranceforeningen Skuld (gjensidig)
Postboks 1376 Vika
0114 OSLO

26.01.2012

SAKSBEHANDLER:
Jan Erik Bakke

VÅR REFERANSE:
12/878

DERES REFERANSE:

DIR.TLF:
22 93 99 80

ARKIVKODE:
452.6

Dispensasjon - presentasjonsvaluta

Det vises til søknad av 17. januar 2012 om dispensasjon fra kravet om å presentere årsregnskapet i norske kroner iht. forskrift om årsregnskap m.m. for forsikringsselskaper § 2-7, jf. § 7-1.¹

Finanstilsynet kan dispensere fra kravet om at årsregnskapet skal presenteres i norske kroner i det enkelte tilfellet, jf. forskriften § 7-1.

Kravet om presentasjonsvaluta i NOK er begrunnet med at bruk av en annen valuta vil kunne svekke årsregnskapet som grunnlag for kontroll, analyse og statistikk for norske myndigheter. Det følger av dette at det kreves særlige grunner for å dispensere fra kravet.

Assuranceforeningen Skuld (Gjensidig) (heretter "Skuld" eller "foreningen") viser til at foreningen driver i en svært internasjonal bransje der amerikanske dollar er den valutaen som generelt benyttes. Alle regnskapstall for konkurrentene presenteres i USD noe som gjør det enklere for markedet å sammenligne finansiell status mellom foretakene. Det vises også til at den andre norske aktøren i bransjen, Assuranceforeningen Gard (Gjensidig), presenterer årsregnskapet i USD.

Skuld oppgir at 3 prosent av premieinntektene, 0,4 prosent av kravskostnadene og 0,6 prosent av forsikringstekniske avsetninger for 2011 er knyttet til NOK. Premieinntekter, kravskostnader og forsikringstekniske avsetninger i USD utgjør henholdsvis 86 prosent, 77 prosent og 78 prosent, hvilket innebærer at USD er den mest sentrale valutaen for foreningen.

Skuld viser videre til at ved omregning til NOK som presentasjonsvaluta vil verdiene i resultat og balanse i stor grad kunne variere med endringer i valutakursene. Bruk av hovedvalutaen USD som presentasjonsvaluta vil gi et mer rettviseende bilde av foreningens økonomiske stilling sammenlignet med norske kroner.

¹ FOR 1998-12-16 nr. 1241



Finanstilsynet finner at det i dette konkrete tilfellet kan gjøres unntak fra kravet om presentasjonsvaluta i norske kroner. Anførslene viser at virksomheten er internasjonal, med hovedsakelig utenlandske kunder. Alle inntekter og kostnader er hovedsakelig knyttet til andre valutaer enn den norske. Det legges til grunn at presentasjonsvaluta i USD, etter foretakets vurdering, vil gi et mer rettviseende bilde av virksomheten.

Finanstilsynet har i medhold av forskrift om årsregnskap m.m. for forsikringsselskaper § 7-1, jf. § 2-7, fattet følgende vedtak om dispensasjon:

Assuranceforeningen Skuld (Gjensidig) gis dispensasjon fra kravet om å presentere årsregnskapet i norsk valuta. Årsregnskapet skal presenteres i United States dollar (USD).

Det understrekes at dispensasjonen kun gjelder finansregnskapet og ikke myndighetsrapportering, f.eks. Forsikringsselskapenes offentlige regnskaps- og tilsynsrapportering (FORT).

For Finanstilsynet

Terje Nilsen
spesialrådgiver

Jan Erik Bakke
seniorrådgiver



Assuranseforeningen Skuld
ved Douglas Jacobsohn
Postboks 1376 Vika
0114 Oslo

Deres ref

Vår ref
06/2925 FM MHe

Dato
21.06.2007

Søknad om engelsk som regnskapsspråk

Finansdepartementet viser til Deres brev 1. juni 2006, epost 2. februar 2007 samt telefonsamtale 9. februar 2007 om søknad om dispensasjon fra regnskapslovens krav til å utarbeide årsregnskap og årsberetning på norsk språk, og om å utarbeide disse på engelsk. Det vises også til Skattedirektoratets tilrådning i brev 28. august 2006.

Departementet legger til grunn at søknaden kun gjelder dispensasjon fra krav til norsk språk i årsregnskap og årsberetning, og ikke selskapets mulighet til å utarbeide regnskapet i funksjonell valuta, jf. regnskapsloven § 3-4 første og andre ledd.

1. SKATTEDIREKTORATETS TILRÅDING

I Skattedirektoratets brev 26. juni 2006 uttales blant annet følgende om de generelle hensyn som bør være relevant ved vurderingen av dispensasjonssøknader:

"Praksis fram til nå har etter vår erfaring vært restriktiv til å benytte annet språk enn norsk i årsregnskapet. Vedrørende årsberetningen, så er adgangen til å søke om dispensasjon av nyere dato.

Ved evalueringen av regnskapsloven ble regnskapsspråk vurdert, jf. NOU 2003:23 Evaluering av regnskapsloven punkt 5.2 og Ot. prp. nr. 39 2004 -2004 om endringer i regnskapsloven. Det ble gitt en forskriftadgang i § 3-4 tredje ledd som åpner for at det kan lages forskrift som tillater at et annet språk benyttes. Dette ble begrunnet med at EU-kommisjonen har foreslått et nytt "transparency" direktiv som dersom det blir vedtatt, vil begrense norske myndigheters muligheter til å stille krav om norsk språk.

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Finansmarkedsavdelingen
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Telefaks 22 24 45 35

Saksbehandler
Markus Heistad
Telefon 22 24 45 64



Skattedirektoratet mener på generelt grunnlag at det fortsatt bør følges en restriktiv linje. Men andre momenter kan tale for en oppmykning av praksis. En eventuell vedtakelse av EU-kommisjonen sitt forslag til "transparency" direktiv, vil åpne for adgangen til å benytte annet språk enn norsk. Dessuten er engelsk også et språk som stadig flere av de aktuelle regnskapsbrukerne er fortrolig med.

Brukergruppen til det aktuelle regnskapet må vurderes ved en eventuell dispensasjon. Forhold som bør hensyntas kan være; norske eller utenlandske eiere, tilbys aksjene til en stor krets (børs) eller er det privateid, inngår selskapet i internasjonale forpliktende samarbeid, er virksomheten først og fremst rettet mot utlandet, hvor finansieres virksomheten mv.

Fra vårt ståsted som kontrollinstans og regnskapsbruker foretrekker vi norsk, men har ingen sterke innsigelser mot at det kan gis dispensasjon til bruk av svensk, dansk eller engelsk.

Etter Skattedirektoratets syn er det ingen sterke grunner for at dispensasjonspraksisen for årsberetningen ikke bør følge årsregnskapet.

For øvrig skal selvangivelse og ligningspapirer utarbeides på norsk språk."

Når det gjelder denne konkrete saken uttales det blant annet følgende:

"I den konkrete sak er det opplyst at 75 % av eierne er utenlandske. Søker er et gjensidig P & I forsikringselskap med profesjonelle eiere med engelsk som arbeidsspråk. Skattedirektoratet har ingen sterke innvendinger mot at søker gis dispensasjon til å benytte engelsk språk i årsregnskapet og årsberetningen."

2. DEPARTEMENTETS VURDERING

Etter regnskapsloven § 3-4 tredje ledd skal "[å]rsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot.prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig **prising** av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjult fordelt informasjon."



Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, kfr. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter departementets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, ikke på vesentlige områder fraviker fra hensynet til sentrale brukere av regnskapsinformasjon. Søkeren må dessuten som et utgangspunkt for vurderingen ha en særlig interesse i å kunne utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk. Departementet slutter seg i det vesentligste til Skattedirektoratets vurdering av hvilke momenter som vil være relevante i en slik vurdering.

Assuranseforeningen Skuld er et gjensidig forsikringsselskap som tilbyr sjøforsikring. Den største delen av selskapets virksomhet retter seg mot utlandet. Foretaket har engelsk som arbeidsspråk, og 75 % av eierne er utenlandske. Foretaket er ikke børsnotert og de særskilte reglene i gjeldende børsforskrift § 23-5 kommer ikke til anvendelse, jf. også tilsvarende regler i ny verdipapirhandellov § 5-13.

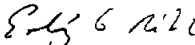
Skattedirektoratet har i brev 28. august 2006 gitt uttrykk for at det, som kontrollinstans og regnskapsbruker, ikke har vesentlige innvendinger mot at det kan gis dispensasjon til bruk av svensk, dansk eller engelsk i årsregnskap og årsberetning.

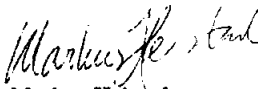
Finansdepartementets anser på denne bakgrunn ut fra en helhetsvurdering at Assuranseforeningen Skuld kan utarbeide årsregnskap og årsberetning på engelsk.

3. KONKLUSJON

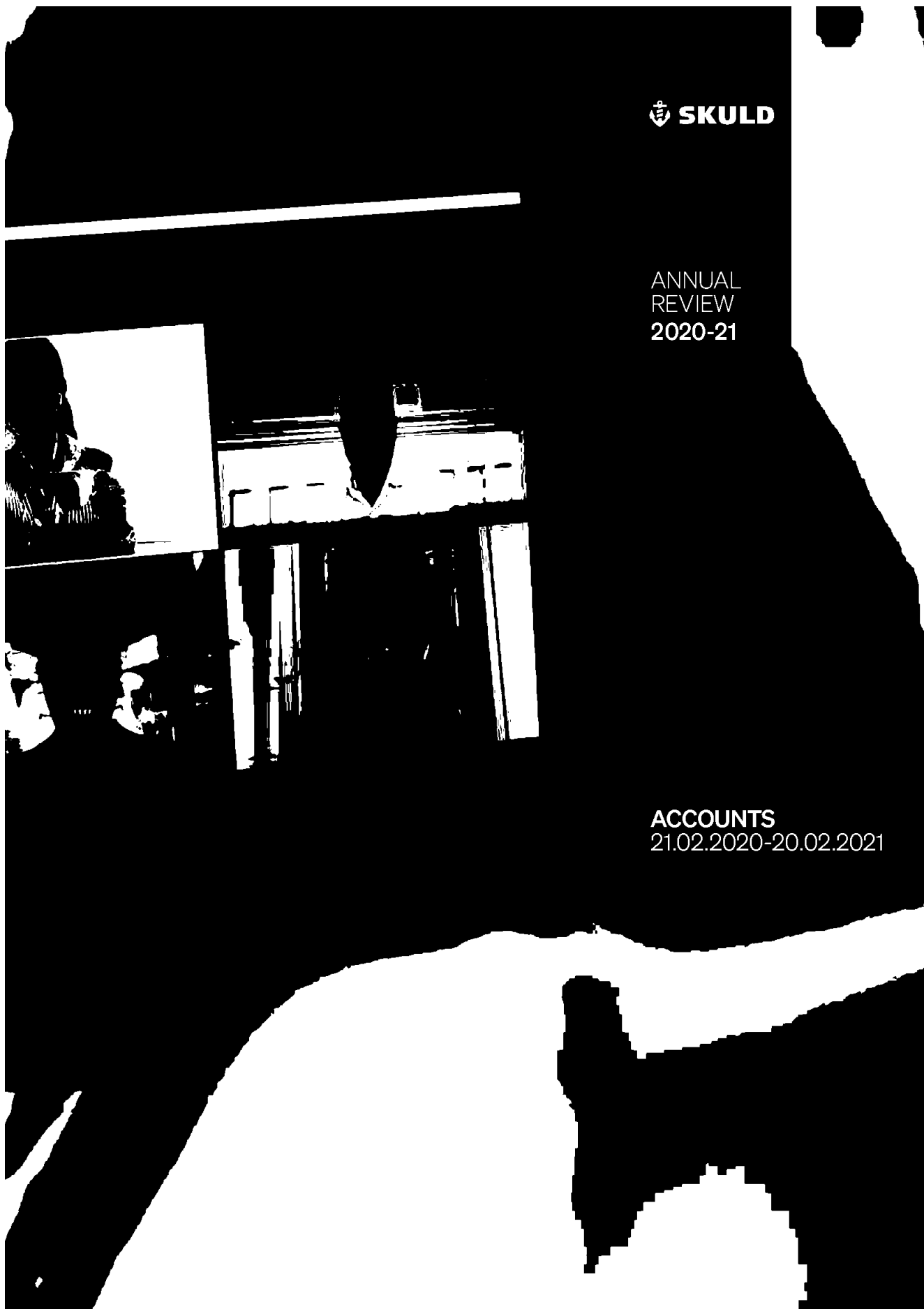
Finansdepartementet gir Assuranseforeningen Skuld adgang til å utarbeide årsregnskap og årsberetning på engelsk, jf. regnskapsloven § 3-4 tredje ledd.

Med hilsen


Erling G. Rikheim e.f.
avdelingsdirektør


Markus Heistad
førstekonsulent

Gjenpart: Skattedirektoratet
Kredittilsynet



 **SKULD**

ANNUAL
REVIEW
2020-21

ACCOUNTS
21.02.2020-20.02.2021



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BOARD OF DIRECTORS' REPORT ASSURANCEFORENINGEN SKULD (GJENSIDIG) 2020/21

Assuranceforeningen Skuld (Gjensidig) ("the Association"), was established in Oslo in 1897 as a Protection & Indemnity (P&I) club for Scandinavian shipowners. Since then, the Association has grown into a diversified marine insurer and caters to the needs of shipowners, the offshore and energy sector, charterers and traders, and the superyacht community.

The Association offers bespoke P&I and physical damage covers. The P&I covers are mutual P&I insurance, commercial fixed P&I, yacht liability cover, charterers liability and more. Physical damage covers hull and machinery, energy, war and loss of hire. P&I is the Association's largest line of business and protects the members against third party losses and liabilities.

CORPORATE STRUCTURE

The Association's head office is located in Oslo, Norway, with branches in Singapore, Hong Kong, London and Copenhagen in addition to offices in Bergen, Hamburg, Piraeus, New York and Bermuda.

The consolidated statutory accounts include the Association's subsidiaries in addition to the Association's affiliated club in Bermuda, Skuld Mutual Protection and Indemnity Association (Bermuda) Ltd., Hamilton, and its subsidiaries. In accordance with these two associations' byelaws, their members enjoy joint membership in both associations, which act as co-insurers on a joint basis with equal insurance conditions and byelaws. No member holds more than a 10% vote in the General Meeting or exercises a significant influence over the management. The two Associations participate on a joint basis in the International Group of P&I Clubs' pooling arrangements and excess loss reinsurance contracts entered via the pool.

GOING CONCERN

In accordance with section 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that prerequisites for the going concern assumption exist and that the annual accounts have been prepared on the assumption that the Association is a going concern. The assumption is based on the income projections for 2021, 2022, 2023 and the Association's long-term strategic projections. The Association is in a healthy economic and financial position. The Board concludes that all factors for a going concern are in place.

RESULTS AND STATEMENT OF FINANCIAL POSITION

The consolidated contribution to Member's Capital for the year 2020/21 ended at USD 24.6 million (USD 25.5 million for 2019/20). The technical result ended up negative at USD 31.1 million (negative USD 4.5 for 2019/20) with a combined ratio of 108%.

The Association contribution to Member's Capital ended at USD 22.3 million (USD 39.7 million for 2019/20).

Mutual rates have not been sustainable for some time and Skuld has started the work to bring the portfolio back into balance through improved rates for policy year 2021. On the good side Skuld's commercial lines of business continue to deliver positive results which partly offsets the challenging state of the mutual market. Skuld is in a robust financial position; well-capitalised and the combination of our strong commercial operations with our financial discipline on the mutual book leave us well-placed to continue to weather the storm.

The positive result contributes to a strong capital adequacy for Skuld well above the capital requirements set by the Solvency II regulation. Skuld has a clean A (stable outlook) rating by Standard & Poor's.

Premiums and calls

The consolidated gross earned premium and calls has increased compared to 2019/20 and ended at USD 391 million (USD 338 million for 2019/20).

After a number of years of softening market conditions driving premiums down, the mutual book of business have started growing during 2020/21. The growth is driven by a strong renewal with more gross tonnage and rates increasing, as well as new vessels entering the Association during the year.

Hull and Machinery has grown significantly during 2020/21, driven both by organic growth, the completion of the transition out of Lloyds and onto Skuld corporate paper and significant rate increases.



The Offshore products continues to grow steadily, and the FD&D products also contributed to growth, while the Fixed P&I is reduced as a consequence of effective pruning and de-selection.

Claims incurred

The consolidated gross claims were USD 293 million for 2020/21 (USD 181 million for 2019/20) and has been significantly influenced by increased and new pool claims from other members of the International Group (IG), alongside with some own large claims within the club retention. Skuld has also been affected by some COVID-19 related claims within the cruise industry.

Reinsurance

A comprehensive risk analysis programme, including the use of stochastic models, has also this year been used as a tool for the evaluation process and the assessment of improved covers and structures. This approach has proven to be very useful. The Association has further developed its reinsurance programme, which is placed with the Lloyd's market and other leading reinsurers on favourable terms.

Operating expenses

Net operating expenses was USD 75.6 million (USD 68.5 million for 2019/20). The increase compared to 2019/20 is mainly due to the transition of physical damage business to corporate paper and that Skuld's Lloyd's syndicate was presented as discontinued operation in 2019/20.

Investment income

Total investment income was USD 85.2 million for 2020/21 with an investment return of 9.8% (USD 48.5 million and 5.5% for 2019/20). The positive investment income is primarily driven by positive equity markets and declining yields.

Skuld's investments are allocated across several asset classes and regions. The performance of the investment portfolio is considered in line with the main indices it follows. A substantial part of the portfolio has minimal credit risk, and with currency and duration matching the liabilities.

The first month of the financial year saw global equity markets drop more than 30% as the covid-19 virus caused lockdowns everywhere. As investors fled to safe havens, the US dollar strengthened substantially in March, which isolated is negative for unhedged positions but favourable for locking future costs in Norwegian kroner. After this first month of extreme conditions, financial markets stabilised and Skuld's investment portfolio reached break even by the summer. As vaccines and vaccination plans were developed, asset valuations remained high, and the US dollar weakened throughout the year, contributing positively to portfolio return. Towards the end of the period, mid- and long-term yields shifted back up to where they were at the end of the previous year, as market participants estimate growth and inflation picking up faster than projected by central banks. Non-listed markets with exposure to Private Equity, Absolute return fixed income, Infrastructure and strategic equity returned 26.1% this year, even above the strong 20.5% performance in global equities.

Discontinued operation

In 2019, the Board of Directors approved to put Skuld's Lloyd's syndicate 1897 up for sale and the sale was completed in September 2020. The effect of the sale is reflected under discontinued operation in the 2020/21 consolidated income statement.

Equity

As at 20.02.21 Members' funds stand at USD 385 million compared to USD 361 million at 20.02.20.

Cash flow

The cash flow statement shows a net cash flow in the group from operational activities of negative USD 63.4 million in 2020/21 compared to negative USD 22.8 million in 2019/20. The net cash flow from investment activities is USD 40.7 million in 2020/21. Net change in cash and cash equivalents is negative USD 22.7 million in 2020/21 compared to USD 61.6 million in 2019/20. The group's liquidity is considered very strong. The investment portfolio contains an overweight of liquid assets in order to enable large claims payments on short notice.

CHANGE IN TAX REGULATIONS

The term Contingency Reserve has in previous years been the measurement for the Association's risk-carrying ability. As part of the implementation of Solvency II, Contingency Reserve was discontinued in the Norwegian regulatory framework and accounting standards in 2016 and reclassified to equity in the financial statement and to eligible capital in Solvency II. In parallel with the changes in Solvency II and the accounting standards, the Norwegian Ministry of Finance has worked on harmonising the tax regulations with the new standards. In 2018, new tax regulations for Norwegian insurance companies were approved, but the Norwegian Ministry of Finance are working on separate regulation for mutual marine associations. The Financial Statements of the Association for 2020/21 is presented in accordance with the general tax regulations for insurance companies.

For comparison purposes the Contingency Reserve for the Group is estimated to USD 459 million as at 20 February 2021, compared to USD 466 million as at 20 February 2020.

Skuld is in dialogue with the Ministry of Finance regarding the new tax regulations. The dialogue has so far been constructive and positive.



EVENTS AFTER 20.02.2021

No events have occurred after 20.02.21 that significantly affect the financial statement of Assuranceforeningen Skuld (Gjensidig).

RISK MANAGEMENT

Financial risk

Market risk

Skuld's functional currency is USD. However, the Association has projected obligations in many currencies, and thus is exposed to considerable currency risk. The Association aims to neutralise this risk by keeping assets in the same currencies as the assumed liabilities. The Association has large operating costs in NOK which occasionally are partly hedged with forward rate currency contracts. The Association runs a considerable interest rate risk due to the time delay from the loss date until settlement date, which is an average of about three years. When there are changes in the general interest rate (and thus the discount rate), the present value of the claims and thereby the Association's financial situation are altered. This risk is to a large extent neutralised by the Association's assets being matched so that they fluctuate in opposite directions (duration matching). In real economic terms, therefore, the Association is well hedged against interest rate changes. However, interest rate changes will quickly have a major effect on financial accounts since the claims provisions are booked at their nominal value and not adjusted to take account of their present value. This means inter alia that a rise in interest rates may result in a fall in the value of the Association's assets, while the liabilities appear to remain the same. In real economic terms, however, the present value of the outstanding claims will also fall so that the overall effect on the Association will be modest.

Through its investments, the Association runs considerable risk relating to various financial markets. At the end of financial year 2020/21, 62,8% of the investment portfolio was in global fixed income. The vast majority of these were government bonds and investment grade corporate bonds. 26,4% were in global equity funds, 5,9% in cash, 4,9% in non-listed markets including strategic equity investments.

The diversified portfolio leads to less volatility on the investment portfolio over time, but the Association has a notable part of the portfolio invested in asset classes of high volatility which may lead to considerable future losses if the markets fall dramatically.

Credit risk

In addition to the investment portfolio, the Association carries credit risk relating to its members and reinsurers. The organisation has high focus on collecting premiums and to protect itself against bad debt losses thereby avoiding any significant increase.

The Association has awarded its reinsurance contracts to companies with a minimum A- rating with Standard & Poor's. Apart from this, the Association has outstanding claims on the other P&I clubs in the International Group. The credit risk here is considered limited, due to the fact that all the clubs provide a bank guarantee for their obligations.

Liquidity risk

Skuld considers its liquidity to be very good and has not considered introducing measures to change the liquidity risk apart from the minimum requirements regarding a constant liquidity reserve.

Other risks

Skuld has established a sustainability programme incorporating development targets and focussed activities within all relevant operational areas. Risk management is among the areas of action with the highest priority for Skuld. The goal is to develop approaches to identify, measure and manage Skuld's exposure to climate risk and to support the development of sustainable strategies to make Skuld more resilient for the changes to come. To achieve this goal, a climate risk working group has been established within Skuld to address the financial risks from climate change. The working group has summarised its initial assessment of climate risk in a report considering the potential impact on Skuld of physical and transitional risks. Continuous growth in CO2 emissions will increase global temperatures, leading to more extreme weather and manifestations of physical risk. Authorities around the world are however considering and implementing policy responses that will affect the development of emissions growth and enable the transition to a carbon neutral society. The impact of this transitional risk depends on the manner policy responses are implemented; the longer this is delayed, the more disruptive the implementation of policy responses will be.

Given that no effective policy responses are taken, it is expected that physical risk will crystallise and start significantly impacting Skuld's portfolio from 2050 and onwards. Claims types that could be directly impacted by climate change have been identified and the probability of an impact on Skuld's portfolio has been assessed. Action points have been identified to enable data-driven analysis of climate change impacts on adequate granularity and based on claims data.

Transitional risk will affect Skuld directly and indirectly, with effects on the global economy and the shipping industry feeding through to Skuld as an insurance provider. The obvious direct effect of transitional risk on Skuld is the need for Skuld to allocate resources to satisfy steadily increasing reporting requirements. The assessment of the indirect effect of transitional risk takes into account policies currently considered and technological trends. Supporting members and clients in this transitional phase might increase operational expenses. Were Skuld to fall behind in the development, premiums might



be reduced. Keeping clients and members that fall behind on their sustainability efforts might increase reputational risk. Current technological trends are centred around the shipping industry's efforts to significantly reduce greenhouse gas emissions and around digitisation. As ship owners adapt to new technologies, ships will likely become more complex and expensive to repair, potentially increasing claims costs per claim. Digitisation could have a similar effect, however, claims due to human error and a reduced number of costly personal injury claims might have a balancing effect. Digitisation is also exposing the shipping industry to increasing cyber vulnerabilities, cyberattacks and threats which may have severe financial and reputational repercussions.

CORPORATE SOCIAL RESPONSIBILITY

Corporate governance

Skuld's Board and management are committed to maintaining high ethical standards and contributing to good corporate governance that is in line with regulatory requirements in all jurisdictions in which Skuld operates. Skuld aims for transparency in communication with internal and external stakeholders and regularly publishes information that is relevant to members, clients, brokers, staff members or other stakeholders.

Anti-corruption

Skuld is opposed to corruption in all forms and is committed to conducting business in accordance with the highest ethical guidelines and governing laws. Detailed policies regarding Skuld employees' conflicts of interest and relationships to customers, brokers and suppliers are set out in the company's Code of Conduct. Skuld requires all employees to fully adhere to the Code of Conduct. The purpose of the Code of Conduct is to create a solid company culture and to preserve the integrity of Skuld by helping employees to promote high standards of good business practice. Skuld's main action with regards anti-corruption has been raising awareness of the Code of Conduct and conducting dilemma training as well as implementing rigid KYC routines.

Human rights and employment conditions

Skuld's policy prohibits unlawful discrimination against employees, members, directors, customers and suppliers on account of ethnic or national origin, age, sex or religion. All individuals shall be treated with dignity and respect. All employees shall assist in creating a work environment free from any discrimination based on religion, skin colour, gender, sexual orientation, age, nationality, race or disability.

Regulatory supervision

Assuranceforeningen Skuld (Gjensidig) and the consolidated group is subject to supervision by the Norwegian Financial Supervisory Authority (Finanstilsynet). Skuld Mutual Protection and Indemnity Association (Bermuda) Ltd is subject to Bermuda Monetary Authority's supervision and reporting.

PEOPLE AND WORK ENVIRONMENT

At the end of the financial year 2020/21, Skuld had 286 full time permanent employees, 51% women and 49% men. The global sickness absence rate was 1.71% in 2020. No work-related incidents leading to significant personal injury or damage to property were reported during the year.

Due to the Covid-19 pandemic, all Skuld offices enforced working from home during the 2020/21 financial year, either full-time or periodically. Although working from home has been challenging, Skuld has implemented several measures to support employees and the work environment is good. To monitor the work environment, Skuld has completed three work environment surveys during the financial year. The feedback from employees shows that they can maintain the same level of service and effectiveness as before the pandemic. The level of motivation is still relatively high among employees.

Skuld continues to strive for diversity and equality and has defined "Inclusive and diverse culture" as one of four strategic objectives. Several internal actions are initiated and clear KPIs are established for leadership- and work environment surveys. Skuld also monitors equality in managerial and key positions. In line with Skuld's focus on Sustainability, the Association is still committed to the UN women empowerment principles and participates in the SHE-index, while also reporting on equality in the Annual report and the Sustainability report published on skuld.com.

Skuld is committed to providing a safe and healthy workplace environment and strives to create the same opportunities for all. In Skuld there is zero tolerance for any form of harassment, including sexual assault or bullying occurring in or out of the workplace.



ENVIRONMENT

Skuld contributes to sustainable solutions through assessing and surveying shipping risks, conducting comprehensive casualty response services and delivering extensive loss prevention programmes which aim to safeguard casualties and prevent injury to people, the environment and property. Skuld's purpose statement 'Protecting ocean industries' underlines Skuld's role in society, commitment to members and clients and to the global ocean industries.

The Association is aware that its activities affect the external environment regarding travelling, consumption of electric power etc. The Association insures vessels which may potentially contribute to environmental pollution.

FUTURE OUTLOOK

Skuld is well positioned for future growth, and the overall strategy remains to grow by diversification, while bringing the mutual book of business back into balance. The Skuld Hull platform is well integrated as a cost-efficient set-up, enabling further growth and stronger contribution from the physical damage book, while also offering the opportunity to cross promote physical damage and P&I to existing and new members and clients across the globe. The Skuld group brand names have become well-recognised in the marine insurance industry and the diversified portfolio of products Skuld offers, with offshore liability, charterers liability, fixed P&I, Skuld Yachts and physical damage is expected to contribute positively both to growth and bottom line. Skuld expects the impact of the continued pandemic situation to be somewhat limited in terms of reduced premium due to lay-ups or bankruptcies, new Covid-19 related claims incurring or any additional cost of operations. Turning to Skuld's investment portfolio, it remains to be seen how the aftermath of the pandemics plays out in the financial markets.

Oslo, 6 May 2021

Klaus Kjærulff
Chairman of the Board

Martin Larsen
Board member

Terje Hj Michelsen
Board Member

Catherine Cheung
Board Member

Ann-Marie Åström
Board Member

Daria Avdeeva
Employee Representative

Peter Bløcher
Employee Representative

Ståle Hansen
President and CEO



CONSOLIDATED INCOME STATEMENT

All figures in USD 1,000

CONSOLIDATED						ASSOCIATION	
2020/21	2019/20					2020/21	2019/20
TECHNICAL ACCOUNT							
Premiums and calls							
390 839	337 858	Gross earned premiums and calls	6	387 919	335 494		
-44 736	-40 173	Reinsurance premiums		-102 488	-80 127		
346 103	297 685	Premiums and calls for own account	4	285 431	255 367		
Claims incurred							
293 037	180 748	Gross claims		263 716	165 893		
8 580	52 890	Reinsurance recoveries		-20 639	32 617		
301 617	233 638	Claims incurred for own account	4,5	243 078	198 511		
Operating expenses							
57 946	59 288	Acquisition costs	7	53 161	54 203		
17 648	9 219	Administrative expenses	7,13	17 379	10 233		
75 594	68 507	Net operating expenses		70 540	64 436		
-31 108	-4 460	Technical result		-28 186	-7 579		



CONSOLIDATED				ASSOCIATION	
2020/21	2019/20			2020/21	2019/20
			Note		
NON-TECHNICAL ACCOUNT					
-31 108	-4 460	Result from technical account		-28 186	-7 579
Investment income					
2 799	2 989	Profit/loss on investment in associated companies	9	0	0
17 547	10 615	Interests, dividends and foreign exchange adjustments		18 349	10 179
59 147	38 002	Unrealised profit/loss on investments		46 441	35 815
7 188	-1 600	Realised profit/loss on investments		7 188	-3 190
-1 496	-1 589	Investment management expenses		-1 443	-980
85 185	48 417	Total investment income		70 535	41 824
85 185	48 417	Non-technical result		70 535	41 824
54 077	43 958	Result before tax		42 349	34 245
19 478	-5 045	Tax	11	19 409	-5 363
34 599	49 002	Result before discontinued operations		22 940	39 607
-8 125	-24 110	Discontinued operations	9		
26 474	24 892	Result before other income and expenses		22 940	39 607
Other income and expenses					
774	0	Profit/loss on financial instruments available for sale		774	0
-2 783	-624	Exchange differences on subsidiaries		0	0
103	1 224	Remeasurement of defined benefit pension plan	10	-1 399	88
-1 907	600	Total other income and expenses		-625	88
24 567	25 492	Profit / Loss		22 314	39 695
24 567	26 684	Change in Members' Funds		22 314	39 695
0	-1 192	Change in minority interests		0	0
24 567	25 492	Change in Equity		22 314	39 695



STATEMENT OF FINANCIAL POSITION

All figures in USD 1,000

CONSOLIDATED		ASSOCIATION		
20.02.21	20.02.20	20.02.21	20.02.20	Note
ASSETS				
Financial assets				
Subsidiaries and associated companies				
0	0	9 557	18 834	9 Shares in subsidiaries
9 765	8 130	0	0	9 Investment in associated companies
0	0	40 000	40 000	9 Other investments
0	0	47 035	31 982	15 Intercompany receivables
Financial assets at market value				
240 751	199 470	240 751	199 470	9 Shares
573 644	561 210	480 114	482 908	9 Bonds, fixed income instruments
4 723	5	4 723	5	9 Financial derivatives
34 628	24 200	34 628	24 200	9 Other investments
863 511	793 014	856 808	797 399	Total financial assets
Reinsurers' share				
160 636	231 690	216 919	285 048	Reinsurers' share of provisions for outstanding claims
160 636	231 690	216 919	285 048	Reinsurers' share
Debtors				
Assets arising from direct insurance operations				
73 436	58 596	73 436	50 004	Members and clients
3 716	0	0	0	Reinsurers
1 688	-32	643	1 886	Other debtors
78 840	58 564	74 080	51 890	Total debtors
Other assets				
5 870	6 995	4 924	5 692	8 Fixed assets
186 933	141 302	141 943	106 277	16 Cash at bank
192 803	148 297	146 868	111 968	Total other assets
Prepayments and accrued income				
9 785	8 051	9 785	7 406	Prepaid acquisition costs
7 364	11 546	8 798	11 386	Other prepayments
17 149	19 596	18 584	18 791	Total prepayments and accrued income
0	122 836			Assets related to discontinued operations
1 312 939	1 373 996	1 313 258	1 265 096	Total assets



CONSOLIDATED			ASSOCIATION	
20.02.21	20.02.20		20.02.21	20.02.20
		Note		
EQUITY AND LIABILITIES				
Equity				
385 367	365 399	Members' funds	3 424 518	402 336
0	-4 611	Minority interests	9 0	0
385 367	360 788	Total Equity	424 518	402 336
Technical provisions				
72 115	62 280	Provision for unearned premium income	72 115	58 746
690 573	688 008	Gross provision for outstanding claims	620 562	632 087
762 688	750 289	Total technical provisions	5 692 678	690 833
Provisions for liabilities				
8 872	7 426	Pension liabilities	10 6 966	3 824
Tax				
112 654	101 011	Deferred tax	11 114 131	102 094
13 288	4 268	Tax payables	11 13 404	4 885
134 814	112 705	Total provision for liabilities	134 500	110 803
Other liabilities				
10 954	7 852	Members, clients and brokers	10 954	7 852
2 833	1 599	Reinsurers	23 681	22 085
0	0	Intercompany payables	15 13 075	14 797
9 738	13 030	Other creditors	8 136	11 241
23 524	22 481	Total other liabilities	55 845	55 975
Accruals and deferred income				
6 546	4 898	Accruals and deferred income	5 717	5 150
6 546	4 898	Total accruals and deferred income	5 717	5 150
0	122 836	Liabilities related to discontinued operations		
1 312 939	1 373 996	Total equity and liabilities	1 313 258	1 265 096
Off-balance sheet items				
888 675	932 250	Bank Guarantees and Club Letters of Guarantees	12 888 675	932 250

Oslo, 6 May 2021

 Klaus Kjæruff Chairman of the Board	 Martin Larsen Board member	 Terje H. Michelsen Board Member
 Catherine Cheung Board Member	 Ann-Marie Aström Board Member	 Daria Avdeeva Employee Representative
 Peter Blecher Employee Representative	 Ståle Hansen President and CEO	



CASH FLOW STATEMENT

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
		Cash flow from operational activities		
375 998	398 009	Premiums received	365 985	311 904
-371 132	-320 352	Paid claims	-287 818	-238 103
1 184	-3 405	Paid tax	1 146	-2 123
-76 796	-97 035	Operational expenses/change in accruals	-64 635	-91 508
-70 746	-22 783	Net cash flow from operational activities	14 679	-19 831
		Cash flow from investment activities		
10 378	9 709	Interests and dividends received	15 040	8 223
-510	-1 174	Investments in fixed assets	-633	-935
4 611	4 540	Profit/loss on investment in associated companies	0	1 916
33 546	71 289	Net financial investments	6 581	43 331
48 026	84 364	Net cash flow from investment activities	20 988	52 535
-22 720	61 582	Net change in cash and cash equivalents	35 667	32 704
209 653	148 071	Cash and cash equivalents at the beginning of the period	106 277	73 572
186 933	209 653	Cash and cash equivalents at the end of the period	141 943	106 277



STATEMENT OF CHANGES IN EQUITY

All figures in USD 1,000

CONSOLIDATED	Members' funds	Minority interests	Total equity
Equity as of 20.02.19	340 466	- 5 172	335 295
Result before other income and expenses	26 084	- 1 192	24 892
Profit/loss on financial instruments available for sale	0		0
Exchange differences on subsidiaries	-624		-624
Remeasurement of defined benefit pension plan	1 224		1 224
Total other income and expenses	600		600
Profit/Loss	26 684	- 1 192	25 492
Decrease in Minority share	- 1 752	1 752	0
Equity as of 20.02.20	365 397	- 4 612	360 788
Result before other income and expenses	26 474	0	26 474
Profit/loss on financial instruments available for sale	774		774
Exchange differences on subsidiaries	- 2 783		- 2 783
Remeasurement of defined benefit pension plan	103		103
Total other income and expenses	- 1 907		- 1 907
Profit / Loss	24 567	0	24 567
Decrease in Minority share	- 4 612	4 612	0
Equity as of 20.02.21	385 367	0	385 367



ASSOCIATION			
	Members' funds	Minority interests	Total equity
Equity as of 20.02.19	362 640	0	362 640
Result before other income and expenses	39 607		39 607
Profit/loss on financial instruments available for sale	0		0
Remeasurement of defined benefit pension plan	88		88
Total other income and expenses	88		88
Profit / Loss	39 695	0	39 695
Equity as of 20.02.20	402 336	0	402 336
Result before other income and expenses	22 940	.	22 940
Profit/loss on financial instruments available for sale	774		774
Remeasurement of defined benefit pension plan	-1 399		-1 399
Total other income and expenses	-625		-625
Profit / Loss	22 314	0	22 314
Equity as of 20.02.21	424 518	0	424 518



NOTE 1

ACCOUNTING PRINCIPLES

1.1 Basis for preparation

The financial statements are prepared according to the Norwegian Accounting Act and the regulation for preparing annual accounts for insurance companies ("Forskrift om årsregnskap for skadeforsikringsselskaper").

The accounts consist of the consolidated accounts for Skuld group (Skuld) and separate accounts for Assuranceforeningen Skuld (Gjensidig) (the Association). In accordance with the regulation, the applied principles for recognition and measurements are based on IFRS with the exceptions for medium-sized entities.

The accounting year covers the period from February 21 to February 20.

The Financial Supervisory Authority of Norway has approved the use of USD as functional currency for the Association, hence the financial statement is presented in USD.

1.1.1 Changes in accounting principles

For the year 2020/21 no changes in accounting principles have been implemented.

In accordance with changes in the regulation for preparing annual accounts for insurance companies as of 12 February 2021 Assuranceforeningen Skuld (Gjensidig) has applied the option to defer the adoption of IFRS 9 for the financial statements until and including the financial year 2022/23. Recognition and measurement of financial instrument in the financial statement of 2020/21 is in accordance with IAS 39.

1.2 Basis of consolidation

The consolidated financial statement includes the financial statements of Assuranceforeningen Skuld (Gjensidig) and affiliated Skuld Mutual P&I Association (Bermuda) Ltd, and entities controlled by Assuranceforeningen Skuld (Gjensidig) and Skuld Mutual P&I Association (Bermuda) Ltd. Skuld Mutual P&I Association (Bermuda) Ltd is owned and controlled by the same owners as Assuranceforeningen Skuld (Gjensidig).

An entity is considered to be controlled by the group when the group is exposed or has rights, to variable returns from its involvement in that undertaking, and have the opportunity to influence these returns. It is presumed that Skuld has control when the ownership interests in another company represent more than 50%. Assessments are made for each investment. Entities are consolidated when control is transferred to the group until control is ceased.

All entities in the group apply uniform accounting policies and principles. For those entities that have a different financial closure date, the latest available monthly financial statement prior to the reporting period for the group is used for consolidation. When preparing the consolidated accounts, intra-group transactions and balances, along with profit and losses on transactions between group entities, are eliminated.

1.3 Shares in subsidiaries

Shares in subsidiaries are carried at historical cost less any impairment losses in the financial statement of the Association.

1.4 Investments in associated companies

An associate is an entity in which the group has a significant influence but does not control the management of its finances and operations. The consolidated financial statement includes the group's share of the profit/loss from associates, accounted for using the equity method from significant influence is achieved and until such influence ceases. Accounting principles in associated companies are adjusted for when there are differences from the group's accounting principles.

1.5 Transactions in foreign currencies

Income and expenses in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities in foreign currencies and those assets and liabilities carried at fair value, are converted to the functional currency at the exchange rate at the date of the balance sheet. Changes in valuations, due to changes in exchange rates between the transaction date and the date of the balance sheet, are recognised in the income statement.

When consolidating, the assets and liabilities of foreign operations are converted to USD with the exchange rate at the date of reporting. Income statement transactions are converted using exchange rates at the transaction date. The exchange differences arising, are recognised as other result components.

1.6 Income and cost recognition principles

The premium income is recognised pro-rata over the period that risk is obtained. The premium is calculated and recognised according to the number of days that the Association or the group has obtained risk. Unearned premium is presented as deferred income. Claims are recognised in the income statement the period they incur. Gross claims include an allocated portion of direct and indirect claims handling costs.



1.7 Estimates

The preparation of the financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The most significant estimates are case estimates, IBNR and pensions. Refer to note 2, 5 and 10 for further information on such estimates.

1.8 Technical provisions

Technical provisions are valued in accordance with relevant accounting regulations. The provisions also include a reserve for Unallocated Loss Adjustment Expenses (ULAE). The technical provisions have not been discounted.

1.8.1 Provision for unearned premiums

The provision for unearned premiums is an accrual for premiums written. Premiums written are distributed over the risk period at a linear basis. The provision relates to the unearned part of the premiums written.

1.8.2 Provisions for outstanding claims

Provisions for outstanding claims are expected compensation for damages that are reported but not settled and incurred damages that has not yet been reported at the end of the accounting period. The provision as of 20 February therefore consists of both reported and not reported claims (IBNR). Reported claims are provided for using the (group and) Association's own assessment. The provision for IBNR is calculated using experience data. Provisions for claims are assessed individually by the claims handlers, and IBNR provision is based on empirical data for estimating the extent of subsequent claims based on statistical models.

Computation of IBNR uses statistical methods on historical claims data, and expert judgements from actuaries. Skuld applies the Chain Ladder method and the Bornhuetter-Ferguson method. The methods are validated periodically by computing ultimate claims costs for historical periods and measuring their ability to project the claims development.

1.8.3 Reinsurers' share

Reinsurers' share of technical gross provision is presented as an asset in the balance sheet and represents the settlements that the group and the Association expect to receive from the reinsurers according to signed contracts. Impairment losses on these assets are recognised if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Association or the group may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that will be received from the reinsurers.

1.8.4 Pool

Skuld's participation in the International Group of P&I clubs' (IG) pooling arrangement is treated as coinsurance.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.9.1 Financial assets

Financial assets are classified in the following categories: fair value through profit or loss, loans and receivables, available-for-sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group and the Association determines the classification of financial assets at initial recognition.

Financial assets are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e. the date that the group or Association commits to purchase or sell the asset.

The group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments and derivative financial instruments. The subsequent measurement of financial assets depends on their classification as follows:

Fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. The group and Association have performed such designations. Financial assets are classified as held for trading if they are acquired for the purpose of selling in a near term. This category includes derivative financial instruments entered into by the group or Association that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.



Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised as other result components until the investment is derecognised, at which time, the cumulative gain or loss is recognised in the result before other result components, or determined to be impaired, when the cumulative loss is reclassified from the other result components to the income statement.

1.9.2 Financial liabilities

Financial liabilities are classified as other liabilities. The group and Association determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value. The group and Association's financial liabilities include trade and other payables, together with financial guarantee contracts.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gain and loss are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. Financial guarantee contracts issued by the group and Association are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognised less cumulative amortisation.

1.9.3 Fair value of financial instruments

The fair value of financial instruments that are traded in active financial markets is determined by reference to quoted price from an exchange at the close of business on the balance sheet date. The majority of the company's financial assets are traded in an active market.

Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

- a) Valuation based on observable market data:
 - recently observed transactions in the relevant instrument between informed, willing and independent parties
 - instruments traded in an active market which is substantially similar to the instrument that is valued
 - other valuation techniques where key parameters are based on observable market data
- b) Valuation based on other factors than observable market data:
 - estimated cash flows
 - valuation of assets and liabilities in companies
 - models where at least one parameter of central significance to the valuation is not based on observable market data
 - possible industry standards

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and recognised in the statement of profit and loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

When using valuation techniques, values are adjusted for credit and liquidity risk. Valuations are based on pricing of risk for similar instruments.

1.9.4 Impairment of financial assets

The group and Association assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1.10 Fixed assets

Fixed assets are measured on initial recognition at cost. Following initial recognition, the assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. An item of fixed assets is derecognised upon disposal, and any gain or loss arising on derecognition of the asset is included in the income statement.



1.11 Intangible assets

Intangible assets are measured on initial recognition at cost, being the fair value at the date of acquisition. After initial recognition, intangible assets are measured at cost less accumulated amortisation. Intangible assets are amortised over the useful economic life, and the amortisation expense on intangible assets is recognised in the income statement in the expense category that is consistent with the function of the intangible assets. Software is classified and presented as fixed asset.

1.12 Pensions

The group operate various pension schemes, which all comply with local laws and regulations in each country in which the group operates. All pension schemes are recognised in accordance with the IFRS (IAS 19). Changes in the pension obligations for the defined benefit pension scheme as a result of changes in the actuary assumptions and variations between actual and anticipated return on pension funds, are recognised in the balance sheet immediately, through other income and expense. These schemes are: defined benefit scheme, defined contribution scheme and hybrid pension scheme.

1.12.1 Defined benefit scheme

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The change in the net defined obligation is recognised within administrative expenses. Remeasurements, comprising of actuarial gains and losses and the return on plan assets are recognised in other comprehensive income in the period in which they occur.

1.12.2 Defined contribution scheme

The group has a commitment to pay a yearly contribution for each employee to privately administered pension insurance plans. The cost is recognised within administrative expenses.

1.12.3 Hybrid pension scheme

The employees in Norway are members of a hybrid pension scheme. In the member's accumulation period the Association has a commitment to pay a yearly contribution for each employee, in addition to a cost for future administration. The Association hence has no obligation when the employee becomes a pensioner or choose to leave Skuld. This cost is recognised within administrative expenses. In the member's payment period, the life insurance company obtains the obligation to pay the members their yearly pension, in addition to guarantee the member a minimum return of 0 per cent.

1.13 Tax

Following the implementation of Solvency II, a new accounting regulation came into force in 2016, regulating amongst others the technical presentation of contingency reserve in the financial statement. For accounting purposes, the contingency reserve should no longer be treated as an element of technical provisions. In December 2018, new tax regulations for Norwegian insurance companies were approved with impact from financial year 2018. Skuld and the marine insurance industry have challenged these new regulations and together with Ministry of Finance we are working on separate tax regulations for mutual associations, but until these are approved the tax regulations for other non-life insurers will also apply for the mutual marine associations. The treatment is consistent with the treatment applied from 2017 where 75% of the contingency reserve was reclassified as equity, and 25% was recognised as deferred cessation tax. This deferred tax will be payable with 1/10 each year over a 10 years period until Ministry of Finance has issued the new regulation.

With the exception of the changes in the accounting and tax regulations described above, there are no changes to the principles of presenting taxes: deferred tax assets are recognised when it is probable that the Association or group will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The Association or group recognise previously unrecognised deferred tax assets to the extent it has become probable that the Association or group can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the Association or group no longer regard it as probable that it can utilise the deferred tax asset. Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the group where temporary differences have arisen.

NOTE 2

RISK MANAGEMENT

All figures in USD 1,000

2.1 Introduction

Skuld's core business is marine insurance, and underwriting (UW) risk is Skuld's main risk. Skuld is further exposed to financial risk, i.e. market risk and liquidity risk, due to investment activities. The above-mentioned risks are taken and accepted in order to create value for our members.

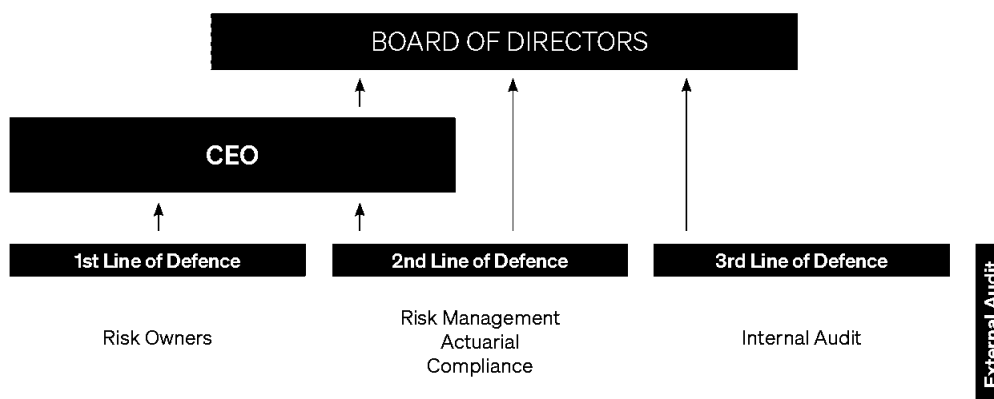
Skuld is also exposed to internal risks arising from within the organisation, generating no strategic benefit, and to external risks. A material risk in this category is operational risk, while compliance and reputational risk are also relevant for Skuld.

In this note, the risk management system is described first. A description of the main risks and their management follows. Details on technical provisions and the calculation of regulatory capital requirement are shown in separate notes. Skuld's approach to climate risk is described in section 2.9.

2.2 Risk management system

The Board is responsible for ensuring that Skuld has an effective risk management system. The Board oversees that the total risk exposure is in line with Skuld's risk bearing capacity. It states the Association's Risk Appetite and sets Risk Limits that are consistent with available capital. The Board's Risk Committee prepares the Board's management of the Association's aggregated risk and assesses if the Association's governance and control measures are adapted to the Association's risk levels and scope of activities.

The distribution of responsibilities with regard to risk management follows a model based on three lines of defence as illustrated in the diagram below.



The first line of defence is made up of the risk owners and their organisations. The risk owners are responsible for identifying and managing risks within their business units or department, and for executing risk assessments. Further, risk owners are responsible for setting up appropriate risk controls.

The second line of defence is made up of independent control functions for risk management, compliance and the actuarial process. The Chief Risk Officer (CRO) is responsible for the risk management and actuarial function, while the compliance function is headed by the Head of Compliance. The CRO is responsible for establishing an integrated risk management framework for all aspects of risk across the organisation. The CRO monitors the risk management system and the general risk profile, and reports independently to the Board, giving his assessment of the Association's risk picture. Regarding the actuarial function the CRO is responsible for ensuring the requirements given in Solvency II regulations governing this function are met. The Head of Compliance is responsible for developing and maintaining a robust and effective framework for complying with internal and external regulations.



The third line of defence consists of an independent internal audit function. The internal audit function is outsourced and reports directly to the Board's Audit Committee. The Internal audit function is responsible for reviewing the efficiency of the Association's risk management framework.

Skuld has also established an advisory internal risk committee. The committee is responsible for reviewing Skuld's risk management framework and the ORSA.

The risk management department submits a monthly report to CEO and the Board, describing the development in calculated risk capital for the main risk types, as well as the development in overall risk profile and in risk limits. The CRO submits a report to each meeting of the Board's Risk Committee, giving an overview of Skuld's risk picture and an assessment of the risk level.

2.3 Underwriting risk

Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses), and consists of reserve risk, premium risk and catastrophe risk.

2.3.1 Reserve risk

Reserve risk is the risk that the current claims provisions are not sufficient to cover the development of already incurred claims and related expenses. Reserve risk reflects principally the emergence of uncertainty related to actual claims' size (for reported, but not yet settled claims, i.e. RBNS) being higher than expected, and claims incurred but not reported (IBNR) being greater than expected.

The cost of RBNS is estimated by a claims handler for each individual claim and is based on relevant information available from claims reports, loss adjusters, medical certificates and information about the costs of settling claims with similar characteristics in previous periods.

Statistical methods are used for calculating IBNR provisions. IBNR provisions and provisions for outstanding claims are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified, where information about the claim is available.

2.3.2 Premium risk

Premium risk relates to future exposures, future claims and their related expenses. Exposure arises on unexpired risk from contracts already underwritten (i.e. the "unearned" exposure) and from future underwritten contracts.

2.3.3 Catastrophe risk

Catastrophe risk refers to the risk of financial losses related to unlikely events with high severity (natural, economic and man-made disasters with immediate impact).

2.4 Risk mitigation

In order to mitigate underwriting risk, Skuld participates alongside the 12 other P&I clubs in the International Group of P&I clubs' (IG) pooling arrangement, where currently, claims above a certain retention level are pooled. The pooling agreement provides a solid market reinsurance program, and sets out how the losses in the pooling layers are distributed between the participating clubs. This enables solvency after events with extreme losses, but also in years with a high frequency of low severity claims. Thus, reinsurance is applied to ensure that underwriting risk is kept within the accepted risk appetite. The clubs in the pooling arrangement retain part of the exposure, but purchase reinsurance in the market to reduce the total exposure. The P&I clubs have through IG established Hydra, a segregated account company, where each of the clubs have their own segregated cell, reinsuring part of the exposure in the pool. Skuld also writes other covers with very high vertical limits of cover. These covers are reinsured in the market based on a risk assessment of the desired risk level. According to instructions from Norwegian Financial Supervisory Authority (Finanstilsynet) Skuld no longer takes into account risk mitigation through Hydra when calculating solvency capital requirements (SCR).

2.5 Managing underwriting risk

The main documents for managing underwriting risk are Skuld's underwriting policy, describing management of underwriting risk, and more detailed underwriting instructions. Skuld's reinsurance policy describes the management of the reinsurance process. The main tool for managing and controlling underwriting risk is Skuld's partial internal model, calculating risk capital, the development of which is followed at least monthly by ERM department. A quarterly assessment is performed to identify whether the partial internal model adequately covers the risks within its scope, and whether there is any need to recalibrate the model. Should it become necessary to reduce underwriting risk, Skuld has the option to terminate underwritten covers. Currently, Skuld has an exposure to a number of lines of business which are written on fixed basis. In case risk reduction is needed, reducing or eliminating the exposure to one or several of the lines of business on fixed basis would be a possible way to reduce total risk without affecting Skuld's core business of mutual P&I.



2.6 Financial risk

Financial risk consists of market risk, counterparty default risk and liquidity risk. Skuld is exposed to these types of risk through investment activities. The primary purpose of the investments is to support the insurance business by securing the value of insurance liabilities against fluctuations in market variables. Funds beyond this will be invested to help achieve Skuld's overall financial goals, with a controlled downside risk.

2.6.1 Market risk

Market risk refers to the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Within market risk, Skuld's main exposure is towards equity risk, interest rate risk and currency risk. Skuld is to a lesser degree exposed to spread risk, property risk and concentration risk.

Equity risk

Equity risk refers to the risk that the value of an asset or liability will change due to fluctuations in the level or volatility of the market prices for equities. Skuld's equity exposures are mainly investments in internationally diversified funds, with the majority focusing on the United States and other developed markets. There are also investments in several private equity funds as well as hedge funds. Please refer to note 9 for an overview of equity investments.

Interest rate risk and currency risk

Interest rate risk refers to the risk that the value of an asset or liability will change due to a change in term structure of interest rates or interest rate volatility. Currency risk refers to the risk that arises from changes in the level or volatility of currency exchange rates. In real economic terms, Skuld is well secured against shifts in interest rates, but shifts will have an effect in the financial statement because outstanding claims are held at nominal value and are not adjusted to net present value. This implies that increased interest rates could cause a drop in Skuld's assets while the liabilities are unchanged.

The net present value of the liabilities will have the same drop and the total effect will be limited. Surplus assets will be exposed to the same risks, as they include fixed income instruments and holdings in other currencies than USD.

The following table shows the group's interest rate sensitivity to assets as the rate increases and decreases by 0.5 % and 1.0 %:

	Adjustments in interest rate level	Effect on profit before tax
2020/21	0.50%	-7 525
	1.00%	-15 050
	-0.50%	7 525
	-1.00%	15 050
2019/20	0.50%	-8 040
	1.00%	-16 080
	-0.50%	8 040
	-1.00%	16 080

Bonds are divided into the following duration intervals:

	0-1 month	1-3 months	3-12 months	1-3 year*	3-5 years	5 years <	Total
20.02.21							
Fixed Income valued at fair value	72 686	24 340	108 306	202 767	81 121	84 422	573 644
20.02.20							
Fixed Income valued at fair value	92 068	50 441	65 091	168 489	71 514	113 607	561 210

*Fixed income valued at fair value in Hydra Skuld Cell amounts to USD 64.5 million as of 20.02.21 (USD 62.8 million as of 20.02.20) with duration interval 1-3 years.



Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. Increased spreads will result in a loss in fixed income instruments. An increase in the spread 100 basis points (bps) would have the following effect on the market value of fixed income securities:

	20.02.21	20.02.20
Sensitivity at +100 bps	-5 891	-5 283
*USD 1,000		

2.6.2 Counterparty default risk

Counterparty default risk is the risk that a counterparty fails to meet its obligations. Bond issuers, account receivables, bank deposits and reinsurers represent important counterparty risks. The majority of bond holdings consist of highly rated issues. The average rating of bonds is AA (as defined by S&P). Minimum rating requirements are applied to reinsurers and banks, enabling efficient control of counterparty risk. Bank guarantees issued in favour of the group shall not be rated below A investment grade.

20.02.21

	AAA	AA	A	BBB/BB/B	Not rated	Total
Derivates valued at fair value					4 723	4 723
Fixed Income valued at fair value	402 571	21 631	62 651	18 712	68 079	573 644
Total financial assets valued at fair value	402 571	21 631	62 651	18 712	72 802	578 367
Members and clients					73 436	73 436
Reinsurers			3 716			3 716
Other debtors					1 688	1 688
Total debtors	0	0	3 716	0	75 124	78 840
Cash at bank			186 933			186 933
Total cash at bank	0	0	186 933	0	0	186 933

20.02.20

	AAA	AA	A	BBB/BB/B	Not rated	Total
Derivates valued at fair value					5	5
Fixed Income valued at fair value	432 260	34 949	60 041	24 679	9 281	561 210
Total financial assets valued at fair value	432 260	34 949	60 041	24 679	9 286	561 214
Members and clients					58 596	58 596
Reinsurers						
Other debtors					-32	-32
Total debtors	0	0	0	0	58 564	58 564
Cash at bank			141 302			141 302
Total cash at bank	0	0	141 302	0	0	141 302

*Fixed income valued at fair value in Hydra Skuld Cell amounts to USD 64.5 million as of 20.02.21 (USD 62.8 million as of 20.02.20) with rating AA.

Solvency capital requirements for counterparty risk are given in note 3. Refer to note 6 for bad debt accruals for members and clients. According to the Association's statutes, Skuld may terminate the entry of any vessels entered on three days' notice, where the member is in breach of his obligations in respect of the payments of premiums of other sums due to the Association.



2.6.3 Liquidity risk

Liquidity risk is the risk that Skuld is unable to meet payment obligations, with financing only possible at an excessive cost. This risk is controlled by placing parts of financial assets in instruments that are highly liquid. A separate portfolio containing liquid bank deposits ensures sufficient cash resources to meet Skuld's daily obligations.

The table below shows the realisation time that applies to investment assets.

20.02.21

Asset	Market value	%	Realization time
Cash and Equivalents	186 933	17.8%	Daily
Equities	240 751	22.9%	Maximum 20 days
Fixed Income*	573 644	54.6%	1 to 6 days
Hedge funds	15 587	1.5%	Monthly
Private Equity	7 866	0.7%	Uncertain
Infrastructure	11 174	1.1%	Quarterly
Strategic Investments in associated companies	9 765	0.9%	Uncertain
Derivates	4 723	0.4%	Daily
Total	1 050 444	100.0%	

*Hydra Skuld Cell's share of this investment is USD 64,5 million.

20.02.20

Asset	Market value	%	Realization time
Cash and Equivalents	141 302	15.1%	Daily
Equities	199 470	21.3%	Maximum 20 days
Fixed Income*	561 210	60.1%	1 to 6 days
Hedge funds	5 410	0.6%	6 days
Private Equity	8 390	0.9%	Monthly
Infrastructure	10 400	1.1%	Uncertain
Strategic Investments in associated companies	8 130	0.9%	Uncertain
Derivates	5	0.0%	Daily
Total	934 316	100.0%	

*Hydra Skuld Cell's share of this investment is USD 62,8 million.

Equities and fixed income investments make up the major part of the investment portfolio. Passively managed bonds can be realised within 6 business days, and passively managed equities and commodities at mid-month and month end. Hedge funds are less liquid and have monthly openings. Private Equity funds are investments where capital is committed for a longer period of time, normally around ten years. Realisation of the invested capital before the end of the agreed life cycle implies that the invested capital must be sold in a secondary market.



The below table divides fixed income instruments, debtors and bank deposits by duration.

20.02.21

	0-1 month	1-3 months	3-12 months	1-3 years	3-5 years	5 years <	Total
Derivates valued at fair value	1 103	1 345	2 276				4 723
Bonds valued at fair value*	72 686	24 340	108 306	202 767	81 121	84 422	573 644
Total financial assets valued at fair value	73 789	25 685	110 582	202 767	81 121	84 422	578 367
Members and clients		73 436					73 436
Reinsurers			3 716				3 716
Other debtors		1 688					1 688
Total debtors	0	75 124	3 716	0	0	0	78 840
Cash at bank	186 933						186 933
Total cash at bank	186 933	0	0	0	0	0	186 933

20.02.20

	0-1 month	1-3 months	3-12 months	1-3 years	3-5 years	5 years <	Total
Derivates valued at fair value	5						5
Bonds valued at fair value*	92 068	50 441	65 091	168 489	71 514	113 607	561 210
Total financial assets valued at fair value	92 072	50 441	65 091	168 489	71 514	113 607	561 214
Members and clients		58 596					58 596
Reinsurers							
Other debtors		-32					-32
Total debtors	0	58 564	0	0	0	0	58 564
Cash at bank	141 302						141 302
Total cash at bank	141 302	0	0	0	0	0	141 302

*Bonds valued at fair value in Hydra Skuld Cell amounts to USD 64.5 million as of 20.02.21 (USD 62.8 million as of 20.02.20) with duration interval 1-3 years.

2.7 Managing financial risk

The main risk mitigation objective concerning financial risk is to reduce the likelihood of risk materialising, and to reduce the impact, should the risk materialise.

Total risk tolerance for market risk is described in Skuld's risk appetite statement. Investment mandates are established to respect these high-level risk limits. The investment and liquidity policy assign clear responsibilities and ensures the investment process is carried out in accordance with regulatory requirements. The investment strategy details the operationalisation of investment beliefs, policy and mandates.

The Investment department, supported by the Risk management function, is responsible for carrying out this strategy. The composition of financial assets follows the criteria and guidelines given by the market risk limits and investment strategy. Financial assets are used both for risk mitigating purposes and for maximising expected return given the specified restrictions.

To improve the risk/return relationship funds are invested across a large number of asset classes. The company has only passively managed instruments. Fund of fund vehicles are used to reduce manager risk in private equity.



The majority of equity holdings are invested in passively managed index tracking funds. These funds are benchmarked against an adjusted MSCI All Country World Investable Market Index. This implies a risk profile consistent with the global equity market, without overweighting specific sectors, countries or regions. The index is widely diversified, including both developed and emerging countries, small-, large- and mid-cap stocks.

Interest and currency risk of claims liabilities are immunised by Asset Liability management (ALM) in a separate portfolio. This portfolio consists of government bonds and bills issued by low-risk states. Changes to the value of the ALM portfolio are accompanied by a corresponding revaluation of the claims liabilities' present value. Interest risk is immunised by holding the duration of the portfolio equal to the duration of the claims liabilities, while currency risk is minimised by letting the currency composition mirror that of the claims liabilities. Derivative contracts (futures and forward contracts) may be used to improve the matching.

The main tool for managing and controlling market risk is calculating capital requirement through the standard formula. The development of capital requirement is followed at least monthly by ERM department. Should it become necessary to reduce market risk, Skuld has the option to change the asset allocation in the investment portfolio. Moving assets from asset classes with high risk to asset classes with low risk offers another tool to reduce total risk. An advantage with this option is that measures to reduce risk can be carried out on a very short notice in the financial markets.

Counterparty default risk is treated in the investment and liquidity process through investment and liquidity mandates, and investment and liquidity strategies. Risk limits and restrictions in these guiding documents are based on Skuld's risk appetite.

Skuld's liquidity strategy details framework and guidelines for ensuring adequate cash management to meet liabilities in due time. The liquidity risk tolerance is set in Skuld's risk appetite statement, to minimum 3% of the total investment portfolio. Compliance with risk tolerance is monitored by ERM.

In addition to the daily monitoring of the cash situation, a liquidity assessment describing monitoring activities and assessing the tolerance limit is prepared at least annually. A monthly mandate control covering the liquidity situation is also carried out.

2.8 Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems. The main risk mitigation objective concerning operational risk is to avoid or eliminate occurrence of risk events. Operational processes are monitored and people's behaviours and decisions are guided toward desired norms through Skuld's Code of Conduct. Operational risk is mainly controlled by active prevention. Risk owners in all business units are responsible for implementing adequate internal controls in operational processes. Executive Management ensures that the necessary instructions, guidelines, processes and procedures for managing operational risk in all material products, activities, processes and systems are in place.

An important part in managing operational risk is a risk assessment process, carried out at least bi-annually. The risk matrices used in the risk assessment process are an expression of Skuld's risk appetite regarding operational risk, compliance risk and reputational risk.

CRO supports risk owners and performs risk-based monitoring activities, in order to detect deficiencies in guidelines, processes and procedures, and propose corrective actions. For operational risk, regulations require calculation of risk capital. Unlike for financial risks there is, however, no connection between risk capital and actual risk level, so that risk capital calculations have no real control function for operational risk. Incident reporting and the follow-up of incidents is on the other hand an important tool for controlling operational risk. CRO is responsible for the framework for incident reporting, and, together with Head of Compliance, for keeping a record of all reported incidents and for monitoring actions taken to mitigate risk of recurrence.

2.9 Other risk types

Compliance risk is the risk of legal or regulatory sanctions resulting in a financial loss, or loss of reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct. Reputational risk is the risk that adverse publicity regarding Skuld's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of Skuld.

The main mitigation objective for these risk types is to avoid or eliminate occurrence.

External risks are risks arising from events outside Skuld and that are beyond its influence and control. External fraud is acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party; this includes money laundering. Political risk is any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives. Regulatory risk are changes in current regulation (or imposition of new regulation) that will materially increase the cost of doing business.



The main mitigation objective for external risks is to reduce impact should risk event occur. These risks are controlled mainly by envisioning risks and evaluate severity through scenario planning and stress testing. The main risk management tool for these risks is risk assessment by executive management.

2.9.1 Skuld, sustainability and climate risk

Skuld has established a sustainability programme incorporating development targets and focussed activities within all relevant operational areas, and it is integrated in our core business process areas: claims, loss prevention, underwriting, finance, human resources, and communications.

Skuld's Sustainability Working Group has undertaken a materiality assessment to help prioritise areas for action. Ten material areas were identified and targeted for Skuld's sustainability activities during 2021. Risk management is among the areas of action with the highest priority for Skuld. The goal is to develop approaches to identify, measure and manage Skuld's exposure to climate risk and to support the development of sustainable strategies to make Skuld more resilient for the changes to come.

To achieve this goal, a climate risk working group has been established within Skuld to address the financial risks from climate change. As its initial task, the climate risk working group has established a foundation on which the effects from climate change on Skuld can be assessed in a systematic manner. The foundation is structured around the scientific evidence from the International Panel on Climate

Change (IPCC). To ensure being updated on regulatory requirements, guidance from EIOPA such as their opinion on sustainability within Solvency II and methodological principles on stress-testing are a point of departure for the working group.

The generally accepted approach is to consider financial risks from climate change arising through two primary channels, or 'risk factors': physical and transition. These can manifest as increasing underwriting, reserving, credit, or market risk. A third risk factor - liability risks - arises from parties who have suffered loss or damage from physical or transition risk factors seeking to recover losses from those they hold responsible.

Continuous growth in CO2 emissions will increase global temperatures, leading to more extreme weather and manifestations of physical risk. If no policy actions are taken, there is no transitional risk, only steadily growing physical risk. Authorities around the world are however considering and implementing policy responses that will affect the development of emissions growth. These policy responses will affect consumers and companies around the world and they will, if they reduce emissions, reduce potential physical risk, but bring with them a risk that arises from whole sectors of the economy being forced to change their behaviour. The impact of this transitional risk depends on the manner policy responses are implemented; the longer this is delayed, the more disruptive the implementation of policy responses will be.

Physical risk

Skuld bases its assessment of physical risks stemming from climate change impacts on the report by IPCC on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways. Given that no effective policy responses are taken, it is expected that physical risk will crystallise and start significantly impacting Skuld's portfolio from 2050 and onwards. The climate risk working group has identified claims types that could be directly impacted by climate change, and assessed the probability of such an impact. As current data cannot be used to quantify climate change impacts on Skuld portfolio, the working group has identified action points to enable data-driven analysis of climate change impacts on adequate granularity and based on claims data.

Transitional risk

Transitional risk will affect Skuld directly and indirectly, with effects on the global economy and the shipping industry feeding through to Skuld as an insurance provider.

The obvious direct effect of transitional risk on Skuld is the need for Skuld to allocate resources to satisfy steadily increasing reporting requirements. Skuld is expected by the NFSA to take climate risk into account in the Own Risk and Solvency Assessment and publish a status of the progress of the work in the Solvency and Financial Condition Report. More detailed reporting requirements are under development, and these reports will at some stage have to be supported by quantitative analysis. Current trends towards increased sustainability could affect Skuld directly through changes in requirements to buildings Skuld rents around the world and on which energy sources to be used. Both of the direct effects that currently seem relevant will lead to increased operational expenses.

The assessment of the indirect effect of transitional risk takes into account policies currently considered and technological trends. The International Maritime Organisation has an ambition to halve greenhouse gas emissions by 2050 and a vision to decarbonize shipping as soon as possible within this century. IMO follows a two-tier approach, focusing on a set of short-term measures (EEDI, EEXI, SEEMP), before embarking on more comprehensive medium- and long-term measures. While the proposed short-term measures should be adequate for reaching the 2030 goals, further measures, or increased stringency of the short-term measures, are needed to achieve the 2050 ambitions.



Skuld will have to support its members and clients in this transition and will therefore have to use resources to stay ahead of the development, leading to increased operational expenses and potentially reduced premium if Skuld falls behind in the development. Keeping clients and members that fall behind on their sustainability efforts might increase reputational risk.

Current technological trends are centered around the shipping industry's efforts to significantly reduce greenhouse gas emissions and around digitisation. As ship owners adapt to new technologies, ships will likely become more complex and expensive to repair. Some of the alternative fuels currently considered might require special handling and storage, thereby increasing the risk of incidents. Claims costs per claim might increase. In this transitional period, pricing of new risks might become more complex too with a danger of underestimating actual risk. Digitisation will also increase ships' complexity, making potential claims more expensive. However, digitisation might reduce claims due to human error. Also, increased digitisation might reduce the number of personnel required onboard, with a positive effect on claims cost due to a reduced number of costly personal injury claims. Increased digitisation will require more specialised and specially trained crew and might increase operational risk in vessel management. Digitisation is also exposing the shipping industry to increasing cyber vulnerabilities, cyberattacks and threats which may have severe financial and reputational repercussions.



NOTE 3

SOLVENCY REQUIREMENTS

All figures in USD 1,000

Skuld's level of capitalisation should at all times ensure reaching strategic targets within the adopted risk appetite, as well as fulfil regulatory requirements.

The Solvency Capital Requirement (SCR) is the amount of funds Skuld is required to hold in order to operate without regulatory intervention. The absolute minimum level of own funds that is required to protect policyholders is represented by the Minimum Capital Requirement (MCR).

Capital requirements are calculated based on the standard formula specified in the Solvency II regulation. Skuld also has developed a partial internal model (PIM). Awaiting approval by the Norwegian Financial Supervisory Authority, the PIM, while giving a more correct representation of actual underwriting risk than the more schematic standard formula, is used for internal purposes only.

The current solvency ratio, i.e. the ratio of available own funds to SCR, calculated with the standard formula is 184 %. The Board expects the solvency ratio to lie within 140 % to 210 %, and with a target of 175 %. Calculating the SCR with the PIM, the solvency ratio is higher, indicating that the standard formula overestimates the risk in Skuld's portfolio.

Calculation of solvency ratio is based on requirements given in the regulations, which in some instances are open to interpretation. In addition, calculations per 20 February 2021 are based on the assumption that marine insurers are covered by the same tax framework as other non-life insurers. The tax framework that ultimately will apply to Skuld is however not yet finalised.

The Norwegian Financial Supervisory Authority has instructed Skuld to disregard the risk mitigating effects of Hydra when calculating SCR, leading to a reduction of solvency ratio all other things being equal.

Skuld has based the calculation of the Group's solvency ratio per 20 February 2021 on assumptions that represent the management's best judgement at the time the financial statement is prepared, and which are reviewed on an ongoing basis. Changes to interpretations of the regulations or the proposed tax framework may lead to changes in the solvency ratio.

Solvency Capital

Skuld's eligible solvency capital includes Basic Own Funds and Ancillary Own Funds. Basic Own Funds are assets in excess of liabilities, calculated according to Solvency II principles. The main difference between the Solvency II and IFRS balance sheet is the addition of risk margin, premium provision and discounting and the exclusion of intangible assets. Skuld's Ancillary Own Funds is calculated based on Skuld's ability to levy supplementary calls on its mutual members.

Ancillary Own Funds may cover up to 50% of the solvency capital requirement.

CONSOLIDATED		Eligible own funds to cover SCR	ASSOCIATION	
20.02.21	20.02.20		20.02.21	20.02.20
347 020	367 477	Tier 1	353 499	318 534
129 511	145 564	Tier 2	117 293	138 106
476 531	513 040	Total eligible own funds to meet the SCR	470 791	456 640

CONSOLIDATED		Eligible own funds to cover MCR	ASSOCIATION	
20.02.21	20.02.20		20.02.21	20.02.20
347 020	367 477	Tier 1	353 499	318 534
0	18 361	Tier 2	0	15 532
347 020	385 837	Total eligible own funds to meet the MCR	353 499	334 066



The SCR is based on different sources of risks. The main risks for Skuld are underwriting risk and market risk. Counterparty default risk and operational risk also contribute to the capital requirement. These risks are described in note 2, "Risk Management". A diversification benefit is accounted for as all risks will not occur at the same time.

CONSOLIDATED			ASSOCIATION		
20.02.21	20.02.20		20.02.21	20.02.20	
234 556	221 821	Underwriting risk	185 947	187 300	
128 118	130 885	Market risk	139 862	137 986	
56 329	109 571	Counterparty risk	63 316	109 667	
-92 737	-109 667	Diversification	-93 573	-107 574	
326 267	352 609	BSCR	295 552	327 381	
0	16 551	Adjustment due to ring-fenced funds	0	23 342	
19 097	19 010	Operational risk	17 228	17 559	
-86 341	-97 042	Loss-absorbing capacity of deferred taxes	-78 195	-92 071	
259 023	291 127	SCR	234 586	276 212	
476 531	513 040	Total eligible own funds to meet the SCR	470 791	456 640	
217 508	221 913	Capital surplus	236 206	180 428	
184.0%	176.2%	SCR margin / Solvency Ratio	200.7%	165.3%	

Regulatory Minimum Capital Requirement

MCR represents the minimum level of capital required to be able to continue business going forward. In practice, authorities would intervene long before this level is reached.

CONSOLIDATED			ASSOCIATION		
20.02.21	20.02.20		20.02.21	20.02.20	
347 020	385 837	Total eligible own funds to meet the MCR	353 499	334 066	
103 698	91 803	MCR	85 442	77 658	
243 322	294 034	Capital surplus	268 056	256 408	
334.6%	420.3%	MCR margin	413.7%	430.2%	

Contingency Reserve

The term Contingency Reserve has in previous years been the measurement for the Associations risk-carrying ability. As part of the implementation of Solvency II, Contingency Reserve, was discontinued in the Norwegian regulatory framework and accounting standards in 2016 and reclassified to equity in the financial statement and to eligible capital in Solvency II. Parallel with the changes in Solvency II and the accounting standards, the Norwegian Ministry of Finance has worked on harmonising the tax regulations with the new standards. In 2018, new tax regulations for Norwegian insurance companies were approved, but the Norwegian Ministry of Finance are working on separate regulation for mutual marine associations. The Association presented in accordance with the general tax regulations for insurance companies. Regulators have indicated that these effects will be reversed when new tax rules are implemented. At 20.02.20 Contingency Reserve amounted to USD 466 million, while the corresponding figure per 20.02.21 is USD 459 million.



NOTE 4

PREMIUMS AND CLAIMS

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
		Total		
405 379	364 907	Written gross premiums	403 054	360 290
-14 540	-27 048	Change in unearned premium provision	-15 135	-24 796
-44 736	-40 173	Reinsurance premiums	-102 488	-80 127
346 103	297 685	Premiums and calls for own account	285 431	255 367
273 197	202 319	Gross claims incurred, current policy year	261 109	191 621
19 840	-21 571	Gross claims incurred, earlier policy years	2 607	-25 727
293 037	180 748	Gross claims incurred	263 716	165 893
-8 580	-52 890	Reinsurers share of gross claims incurred	20 639	-32 617
301 617	233 638	Claims incurred for own account	243 078	198 511

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
		P&I		
283 250	268 451	Written gross premiums	280 448	267 408
-5 122	0	Change in unearned premium provision	-5 122	-1 187
-40 530	-38 527	Reinsurance premiums	-38 868	-59 908
237 597	229 924	Premiums and calls for own account P&I	236 458	206 312
232 353	172 892	Gross claims incurred, current policy year	225 273	170 540
-17 481	-37 241	Gross claims incurred, earlier policy years	-30 405	-42 022
214 872	135 652	Gross claims incurred P&I	194 868	128 518
-8 580	-52 288	Reinsurers' share of gross claims incurred	-7 559	-51 777
223 452	187 940	Claims incurred for own account P&I	202 427	180 295

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
		Physical damage, FD&D and other		
122 130	96 456	Written gross premiums	122 607	92 882
-9 418	-27 048	Change in unearned premium provision	-10 013	-23 609
-4 205	-1 646	Reinsurance premiums	-63 620	-20 218
108 506	67 761	Premiums and calls for own account	48 973	49 055
40 844	29 426	Gross claims incurred, current policy year	35 836	21 081
37 321	15 670	Gross claims incurred, earlier policy years	33 012	16 294
78 165	45 096	Gross claims incurred	68 848	37 375
0	-602	Reinsurers' share of gross claims incurred	28 198	19 159
78 165	45 698	Claims incurred for own account	40 650	18 216



NOTE 5

TECHNICAL PROVISIONS

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION		
2020/21	2019/20		2020/21	2019/20	
688 008	875 663	Gross provision for outstanding claims at 21 February*	632 087	669 420	
75 292	71 048	Claims paid, current policy year	74 372	70 461	
122 163	60 222	Gross claims incurred, current policy year	112 419	50 966	
-194 891	-162 257	Change in gross claims for earlier policy years	-198 316	-158 760	
690 573	844 677	Gross provision for outstanding claims as at 20 February	620 562	632 087	
160 636	231 690	Reinsurers' share of provision for outstanding claims	216 919	285 048	
529 937	612 986	Net provision for outstanding claims as at 20 February	403 643	347 039	
72 115	62 280	Net provision for unearned premium income as at 20 February	72 115	58 746	

* Gross provision for outstanding claims at 21 February 2020 adjusted for discontinued operations (Skuld's Lloyd's syndicate 1897).

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION		
2020/21	2019/20		2020/21	2019/20	
204 103	227 923	Gross claims - International Group of P&I Clubs	202 562	227 923	
109 396	84 264	Net claims - International Group of P&I Clubs	108 569	84 264	

Actuarial methods

The contract with the pool and the pools reinsurers is renewed at balance date, so there is no provision for unearned premiums at the balance date.

The insurance provisions are related to claims incurred before the balance date, including provisions for both claims that are known but unsettled (RBNS) and claims incurred but not yet known (IBNR). The liabilities are undiscounted, and include both allocated and unallocated loss adjustment expenses.

Computation of IBNR uses statistical methods on historical claims data, and expert judgements from actuaries. Skuld applies the Chain Ladder method and the Bornhuetter-Ferguson method. For some products with little historical data we use a frequency-severity approach. The methods are validated periodically by computing ultimate claims costs for historical periods and measuring their ability to project the claims development.

The booked premium provision is the difference between written and earned premium. Premium is earned linearly and is booked monthly. The average duration of the group's insurance liabilities are 3 years.

Reserve calculations for solvency purposes

The same basic principles for claims provisions are applied to the Solvency II claims provisions. These are discounted using the EIOPA risk free rates. The risk margin is added, being computed according to Solvency II regulations.

For Solvency II the premium provision is computed as the future cashflow between the Group and the member or customer, for contracts within the contract boundaries as described in Solvency II regulations. Future instalments of premiums are considered as an outgoing liability.



NOTE 6

GROSS EARNED PREMIUMS AND CALLS DISTRIBUTED BY COUNTRY

All figures in USD 1,000

Country	Premiums	%
Norway	39 625	10.1%
Nordic countries excl. Norway	24 993	6.4%
Germany	24 912	6.4%
Greece	26 333	6.7%
United Kingdom	11 721	3.0%
Rest of Europe	74 653	19.1%
USA	40 076	10.3%
Far East	82 264	21.0%
Other	66 263	17.0%
Total gross earned premiums and calls	390 839	100.0%
Premiums within EEA	190 515	48.7%

BAD DEBT ACCRUALS MEMBERS AND CLIENTS

ASSOCIATION AND CONSOLIDATED

	2020/21	2019/20
Accruals bad debt opening balance	2 462	2 946
Realised loss during the year	-176	-901
Change accruals	-173	416
Accruals bad debt closing balance	2 112	2 462

Potential losses on reinsurers

The credit risk on reinsurers are closely monitored and all reinsurers are rated by a recognised agency. All reinsurers have a strong financial position with no ratings below A-. There has not been booked any provision for potential loss on reinsurers.



NOTE 7

ACQUISITION COST

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
21 128	23 116	Underwriting expenses	20 803	22 943
35 433	28 882	Commission	31 320	26 542
1 385	7 290	Other acquisition costs	1 038	4 718
57 946	59 288	Acquisition costs	53 161	54 203

ADMINISTRATIVE EXPENSES

All figures in USD 1,000

CONSOLIDATED			ASSOCIATION	
2020/21	2019/20		2020/21	2019/20
1 902	1 847	Facilities and services	1 126	2 050
1 314	1 372	IT	1 104	1 523
1 342	2 319	Operational expenses	6 963	2 574
12 851	12 093	Personnel costs	7 961	3 748
238	304	Other administrative expenses	226	337
	-8 716	Income from discontinued operations		
17 648	9 219	Administrative expenses	17 379	10 233

The Association buys services from regional offices within Skuld group. These services are subject for a mark-up according to local transfer pricing legislations. In the consolidated figures the mark-up is eliminated.

Other administration expenses in the Association includes reallocation of expenses to the different activities within the group. The increase is due to transition of Lloyd's syndicate 1897 operation to Assuranceforeningen Skuld (Gjensidig) UK Branch.



NOTE 8

FIXED ASSETS

All figures in USD 1,000

ASSOCIATION	Software	Fixtures, cars and equipment	Real estate	Other fixed assets	Total
Cost at 20.02.20	8 224	4 518	1 604	161	14 507
Purchased in the year	153	480	0	0	633
Sales / Scrapping in the year	0	56	0	0	56
Cost at 20.02.21	8 378	4 941	1 604	161	15 084
Accumulated depreciation	6 706	3 454	0	0	10 160
Net book value 20.02.21	1 672	1 487	1 604	161	4 924
Depreciation this year	673	671	0	0	1 344

Depreciation period	3–10 Years	7–15 Years
Depreciation method	Linear	Linear

Rental expenses for the Association amounts to USD 4.1 million including offices in Oslo, Bergen, Singapore, Hong Kong, London and Copenhagen.

CONSOLIDATED	Software	Fixtures, cars and equipment	Real estate	Other fixed assets	Total
Cost at 20.02.20	8 224	8 389	1 604	161	18 378
Purchased in the year	153	356	0	0	510
Sales / Scrapping in the year	0	67	0	0	67
Cost at 20.02.21	8 378	8 680	1 604	161	18 823
Accumulated depreciation	6 706	6 247	0	0	12 953
Net book value 20.02.21	1 672	2 432	1 604	161	5 870
Depreciation this year	673	1 044	0	0	1 717

Depreciation period	3–10 Years	7–15 Years
Depreciation method	Linear	Linear

Skuld has offices in 10 locations. The lease period for these offices range from 1 to 10 years. Rental expenses for these offices are USD 5.1 million. Skuld has applied the option of not recognising lease agreements in accordance with IFRS 16.



NOTE 9

CLASSIFICATION OF FINANCIAL INSTRUMENTS INTO CATEGORIES

All figures in USD 1,000

As of 20.02.21		CONSOLIDATED				
Main line	Classes of financial instruments	Fair value through profit or loss		Loans and receivables	Available for sale	Other liabilities
		Held for trading	Designated			
Shares, mutual funds and derivatives	Equities		240 751			
	Derivatives		4 723			
	Hedge funds		15 587			
	Bonds		573 644			
	Private equity				7 866	
	Infrastructure				11 174	
Other debtors	Other debtors			78 840		
Creditors	Creditors					1
Other creditors	Other liabilities					23 523
Other assets	Cash at bank			186 933		

As of 20.02.20		CONSOLIDATED				
Main line	Classes of financial instruments	Fair value through profit or loss		Loans and receivables	Available for sale	Other liabilities
		Held for trading	Designated			
Shares, mutual funds and derivatives	Equities		199 470			
	Derivatives		5			
	Hedge funds		5 410			
	Bonds		561 210			
	Private equity				8 390	
	Infrastructure				10 400	
Other debtors	Other debtors			58 564		
Creditors	Creditors					-95
Other creditors	Other liabilities					22 576
Other assets	Cash at bank			141 302		



As of 20.02.21	ASSOCIATION						
	Main line	Classes of financial instruments	Fair value through profit or loss		Loans and receivables	Available for sale	Other liabilities
			Held for trading	Designated			
Shares, mutual funds and derivatives	Equities		240 751				
	Derivatives		4 723				
	Hedge funds		15 587				
	Bonds		480 114				
	Private equity					7 866	
	Infrastructure					11 174	
Other debtors	Other debtors			74 080			
Creditors	Creditors					1	
Other creditors	Other liabilities					55 844	
Other assets	Cash at bank			141 943			

As of 20.02.20	ASSOCIATION						
	Main line	Classes of financial instruments	Fair value through profit or loss		Loans and receivables	Available for sale	Other liabilities
			Held for trading	Designated			
Shares, mutual funds and derivatives	Equities		199 470				
	Derivatives		5				
	Hedge funds		5 410				
	Bonds		482 908				
	Private equity					8 390	
	Infrastructure					10 400	
Other debtors	Other debtors			51 890			
Creditors	Creditors					16	
Other creditors	Other liabilities					55 958	
Other assets	Cash at bank			106 277			



FINANCIAL INSTRUMENTS AT FAIR VALUE

All figures in USD 1,000

The following hierarchy is used for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	20.02.21	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Shares	240 751	240 751		
Bonds	573 644	573 644		
Hedge funds	15 587		15 587	
Derivatives	4 723		4 723	
Available for sale financial assets				
Private equity	7 866			7 866
Infrastructure	11 174			11 174
Total	853 746	814 395	20 310	19 040

Assets measured at fair value	20.02.20	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Shares	199 470	199 470		
Bonds	561 210	561 210		
Hedge funds	5 410		5 410	
Derivatives				
Available for sale financial assets				
Private equity	8 390			8 390
Infrastructure	10 400			10 400
Total	784 885	760 680	5 415	18 790

A description of valuation of the various levels is described in more detail in note 1. Shares and units classified as level 3 include private equity funds. Fair value for the funds are mainly based on reported values from the general partner. For private equity funds the general partner usually use cash-based models or multiples in estimating the fair value. The company does not have full access to information about all elements of these valuations and therefore has no basis for determining alternative values for alternative assumptions. Private equity funds have invested in a number of underlying companies and this significantly reduces the uncertainty associated with valuation of individual fund units. There is uncertainty associated with fixed values and in the realisation of underlying investments there can be both profit and loss.



Reconciliation of movements in Level 3 of fair value measurements:

20.02.21

Financial assets	Private equity	Infrastructure
Opening balance	8 390	10 400
Income in the period	-68	0
Implied realisations, other than income	68	0
Change in unrealized gains or losses	-44	774
Purchases in period	0	0
Disposals in period	-480	0
Closing balance	7 866	11 174

20.02.20

Financial assets	Private equity	Infrastructure
Opening balance	11 685	0
Income in the period	-42	0
Implied realisations, other than income	39	0
Change in unrealized gains or losses	-3 022	400
Purchases in period	251	10 000
Disposals in period	-521	0
Closing balance	8 390	10 400



SHARES

All figures in USD 1,000

	Underlying currency	Purchase cost	Market/Book value
Norwegian shares			
Mutual funds			
MSCI NOK Indx	NOK	286	308
Total Norwegian shares		286	308
Other shares			
Mutual funds			
MSCI Argentina Indx	ARS	40	44
MSCI ATS Indx	EUR	100	118
MSCI AUD Indx	AUD	2 566	3 937
MSCI BEF Indx	EUR	408	516
MSCI BRL Indx	BRL	1 534	1 329
MSCI CAD Indx	CAD	4 304	5 724
MSCI CAD Small Cap Indx	CAD	770	952
MSCI CHF Indx	CHF	2 886	5 126
MSCI CLP Indx	CLP	222	152
MSCI CNY Indx	CNY	7 577	12 120
MSCI COP Indx	COP	117	63
MSCI CZK Indx	CZK	37	29
MSCI DEM Indx	EUR	3 388	5 080
MSCI DKK Indx	DKK	557	1 339
MSCI EAFE Small Cap Indx	USD	5 053	9 858
MSCI EGP Indx	EGP	23	20
MSCI Emg Mkts Small Cap Indx	USD	2 277	3 395
MSCI ESP Indx	EUR	1 219	1 314
MSCI FIM Indx	EUR	301	580
MSCI FRF Indx	EUR	3 664	6 095
MSCI GRD Indx	EUR	94	36
MSCI HKD Indx	HKD	1 042	1 893
MSCI HUF Indx	HUF	41	61
MSCI IDR Indx	IDR	365	376
MSCI IEP Indx	EUR	219	349
MSCI INR Indx	INR	1 752	2 585
MSCI Israel Indx	ILS	296	344
MSCI ITL Indx	EUR	990	1 284
MSCI JPY Indx	JPY	7 601	14 182
MSCI KRW Indx	KRW	2 007	3 802
MSCI Kuwait Indx	KWD	130	134
MSCI MXN Indx	MXN	584	475
MSCI MYR Indx	MYR	437	384
MSCI NLG Indx	EUR	951	2 300
MSCI NZD Indx	NZD	65	142
MSCI Pakistan Indx	PKR	9	5
MSCI PEN Indx	PEN	52	73
MSCI PHP Indx	PHP	158	183
MSCI PLN Indx	PLN	226	169
MSCI PTE Indx	EUR	83	90
MSCI Qatar Indx	QAR	190	181
MSCI RUR Indx	RUB	659	833
MSCI Saudi Arabia Indx	SAR	620	630
MSCI SEK Indx	SEK	1 082	1 909
MSCI SGD Indx	SGD	502	594
MSCI THB Indx	THB	392	476
MSCI TRL Indx	TRY	182	105
MSCI TWD Indx	TWD	1 368	3 993
MSCI UAE Indx	AED	145	136
MSCI UK Indx	GBP	6 526	7 922
MSCI ZAR Indx	ZAR	970	1 077
US Total Market Indx	USD	47 136	135 927
Total other shares		113 919	240 443
Total shares		114 205	240 751



BONDS

All figures in USD 1,000

	Underlying currency	Purchase cost	Market/Book value
Foreign bonds			
Money Market Fund	USD	140 785	142 481
U.S. Treasury 1-3 Year Index CTF*	USD	67 021	73 600
U.S. Treasury 3-10 Year Index CTF	USD	72 663	88 370
Long U.S. Treasury Index CTF	USD	1 492	2 460
Treasury bonds and bills		102 031	109 117
SPDR BC Emerging Markets Local Bond ETF	EUR	5 529	4 008
SPDR BC Emerging Markets Local Bond ETF	USD	1 000	937
Emerging Markets Bond Fund	USD	4 991	8 233
SSgA Global Aggregate Bond Index Fund	USD	46 497	53 311
Vanguard Global Aggregate Bond Fund	USD	53 007	53 480
DNB Global Treasury Bond Fund	NOK	11 026	11 887
Pareto Nordic Cross Credit Fund	NOK	8 789	9 645
Alfred Berg Nordic Bond Fund	NOK	10 987	11 894
Total foreign bonds		525 816	569 424
Norwegian bonds			
Treasury bonds and bills		3 952	4 220
Total Norwegian bonds		3 952	4 220
Total bonds		529 769	573 644

*Hydra Skuld Cell part of this investment is USD 64.5 million.

OTHER INVESTMENTS

All figures in USD 1,000

	Underlying currency	Committed capital	Committed capital USD	Purchase cost	Market/Book value
Hedge funds					
Nordkinn fixed income macro fund (USD)	USD			4 502	5 833
Nordkinn fixed income macro fund (NOK)	NOK			8 817	9 754
Total Hedge funds				13 319	15 587
Infrastructure					
JP Morgan Infrastructure Fund	USD			10 000	11 174
Total infrastructure				10 000	11 174
Private equity*					
Pantheon Asia Fund V LP	USD	4 000	4 000	1 788	1 259
Pantheon Europe Fund V 'A' LP	EUR	4 500	5 457	995	987
Pantheon Europe Fund VI LP	EUR	3 000	3 638	1 124	1 322
Pantheon USA Fund VII LP	USD	9 000	9 000	2 721	2 428
Pantheon USA Fund VIII LP	USD	4 000	4 000	1 270	1 870
Total Private equity				7 898	7 866
Total other investments				26 095	34 628

*Totally USD 17.0 million and EUR 7.5 million has been committed to private equity. Of this USD 15.8 million and EUR 7.1 million has been called and paid.



FINANCIAL DERIVATIVES

All figures in USD 1,000

Contract description	Value date	Market value
FX Forward Market Value	19.02.21	7 853
Collateral deduction at Counterparty	19.02.21	-3 130
Total financial derivatives*		4 723

*Purpose of the financial derivatives is to hedge the currency risk related to administrative expenses.

INVESTMENT IN ASSOCIATED COMPANIES

All figures in USD 1,000

			Share Cap.	Shares	Percent	Par value	Book value
Asta Capital Ltd	London	GBP	993	67 623	28.39%	0.01	9 765
Book value as of 20.02.21							9 765

All shares are owned by Skuld Investments Ltd. The Group has 2 of total 6 votes in the Board of Asta Capital Ltd.

Financial figures on 100% of the associated company converted to USD.

Asta Capital Ltd figures are based on the financial statement for the period 01.01.2020-31.12.2020.

Company	Assets	Liabilities	Equity	Revenues	Profit after tax
Asta Capital Ltd.	30 575	5 046	5 046	52 416	6 687
Total	30 575	5 046	5 046	52 416	6 687

Asta Capital Ltd is a non-public company and no market values are available. Fair value is based on an external valuation.

Company	Book value 20.02.20	Profit-/loss	Sale of shares	Currency	Book value 20.02.21	Fair value
Asta Capital Ltd.	8 130	2 799	-	(1 163)	9 765	47 748
Total	8 130	2 799	-	(1 163)	9 765	47 748

SUBSIDIARIES

The tables below set forth the Association's ownership interest in subsidiaries, in addition to their directly owned subsidiaries. The Association controls 100% of voting rights in all subsidiaries.

Shares in subsidiaries

		Currency	Share Cap.	Shares	Percent	Par value	Book value
Skuld Far East Ltd	Hong Kong	HKD	3 701 000	370 100	100%	10	477
Skuld Services Ltd - A-shares	London	USD	1 225 000	625	100%	1 960	1 129
Skuld Services Ltd - B-shares	London	USD	239	292	100%	1	0
Skuld Investments Ltd - A-shares	London	GBP	6 500 000	6 500 000	100%	1	2 473
Skuld Investments Ltd - B-shares*	London	GBP	72 222	130 000	18%	0,1	8
Vika Management AS	Oslo	NOK	6 000 000	100	100%	60 000	0
Skuld Hellas Ltd	Piraeus	USD	40 000	500	100%	80	40
Skuld Germany GmbH	Hamburg	EUR	25 000	1	100%	25 000	273
Skuld North America Inc	New York	USD	2 471 000	10	100%	2 471 000	2 470
Skuld Marine Agency (SMA) AS	Oslo	NOK	100 000	10	100%	10 000	2 687
Skuld Prosjekt AS	Oslo	NOK	30 000	30	100%	1 000	0
Book value as of 20.02.21							9 557

* Assuranceforeningen Skuld (Gjensidig) holds 18%, Skuld Holding Ltd 57% and in Treasury 25% of the B-shares in Skuld Investment Ltd.



The shares in Skuld Investment Ltd is written down with USD 6.65 million as of 20.02.2021. The Shares in Vika Management AS is written down with USD 4.36 million. The write down was done subsequent of distribution of capital from the company of USD 4.73 million, with a net effect of USD 0.4 million in financial income as of 20.02.2021.

Shares in subsidiaries owned through subsidiaries

	Office	Currency	Ownership interest	
			20.02.21	20.02.20
Skuld Marine Agency (SMA) AS				
Skuld Marine Claims Office (SMCO) AS	Oslo	NOK	100%	100%
Skuld Investments Ltd - A-shares				
Skuld I Ltd*	London	GBP	0%	100%
Skuld II Ltd*	London	GBP	0%	100%

* Skuld I Ltd and Skuld II Ltd are sold in 2020. The effect of the sale is reflected under net investment income.

Shares in subsidiaries owned through Skuld Mutual P&I Association (Bermuda) Ltd

	Office	Currency	Ownership interest	
			20.02.21	20.02.20
Hydra Insurance Company (Skuld Cell)	Hamilton	USD	100%	100%
Skuld Holding Ltd	Hamilton	USD	100%	100%
Skuld RE Ltd	Hamilton	USD	100%	100%
Skuld II Reinsurance Ltd*	Hamilton	USD	0%	100%
Skuld Investments Ltd - B-shares	London	GBP	57%	0%

* Skuld II Reinsurance Ltd is sold in 2020. The effect of the sale is reflected under net investment income.

Sale of Skuld's Lloyd's syndicate 1897

In 2019, the Board of Directors approved to put Skuld's Lloyd's syndicate 1897 up for sale. The sale was completed in September 2020 and the three companies Skuld I Ltd, Skuld II Ltd and Skuld II Reinsurance Ltd were sold to RiverStone Holdings Limited. According to the agreement, a part of the risk margin equalling USD 8.1 million was left behind in the companies. The amount is reflected as discontinued operations in the consolidated income statement for 2020/21.

Other Investments

Assuranceforeningen Skuld (Gjensidig) is an Association Class Member of Skuld Mutual P&I Association (Bermuda) Ltd and has contributed with USD 40 million to the Reserve Fund. The amount has been reclassified in the Statement of financial position as at 20.02.2020.



NOTE 10

PENSION

All figures in USD 1.000

The current pension scheme is a hybrid pension scheme. A hybrid pension scheme has elements from defined contribution schemes as well as from defined benefit schemes. In the member's accumulation period, the hybrid pension scheme is similar to a defined contribution scheme, while in the member's payment period it's similar to a defined benefit scheme. The association has a commitment to pay a yearly contribution for each employee of 7% of salary up to 12 times the base amount (G), and 18,1% between 7,1G and 12G. The scheme also includes entitlement to disability and children's pensions. The retirement age is 70 years. The yearly contribution is recognised as cost within administrative expenses. Number of employees in the hybrid pension scheme per 20 February 2021 is 146.

The association in Norway also has an early retirement pension agreement with the employees (born before 1952), which will pay out 85% of the salary between 66-67 years of age (65 for directors). This is a non-funded obligation, and includes 2 employees and 1 pensioner. The Association in Norway also has non-funded obligations for the President & CEO. This includes early retirement pension and pension for salaries exceeding 12G.

The pension schemes for Skuld Marine Agency (SMA) AS and Skuld North America Inc. are included in the consolidated figures.

Skuld Marine Agency (SMA) AS had until 31.12.2019 a defined benefit scheme with a life insurance company to provide pension benefits for its employees. Currently disabled members who are not 100 % disabled remained in the defined benefit scheme. The defined benefit pension scheme for SMA includes 3 employees and 1 pensioner. From 1.1.2020 SMA entered into a hybrid pension scheme with the same terms as for the association in Norway. Number of employees in the hybrid pension scheme per 20 February 2021 is 23.

The defined benefit pension scheme in Skuld North America Inc. only effects the net pension obligations for secured pensions, and per 28.02.2021 the scheme included 10 employees and 2 pensioners. Starting 31 December 2020 there was a plan freeze and no new employees will be added to this pension scheme. The effect is accounted for in this year's financial statement.

Investment profile of pension assets in Storebrand Livsforsikring AS:

	31.12.17	31.12.18	31.12.19	31.12.20
Shares	14.9%	15.4%	14.8%	11.0%
Bonds	19.9%	9.5%	11.2%	20.3%
Bonds	32.3%	35.7%	36.4%	33.6%
Money Market	5.0%	8.4%	8.3%	0.0%
Real estate	12.1%	13.7%	13.4%	15.6%
Loan			14.7%	19.6%
Other	1.8%	1.2%	1.2%	0.0%

Value adjusted Capital return in Storebrand Livsforsikring AS:

	31.12.17	31.12.18	31.12.19	31.12.20
	5.7%	2.0%	6.1%	4.3%



	CONSOLIDATED		ASSOCIATION	
	20.02.21	20.02.20	20.02.21	20.02.20
Net pension costs				
Defined benefit pension plan:				
Current service cost	274	503	231	239
Net interest expense / (income)	74	101	79	85
Social Security Tax (SST)	59	77	59	64
Administration Cost	2	7	0	1
Past service cost	389	-219	389	0
Discontinuation of defined benefit pension plan	0	0	0	0
Remeasurements	0	0	0	0
Net benefit pension costs (income)	798	469	758	389
Contribution pension plan cost	3 736	3 751	2 115	1 553
Other costs related to closing of defined benefit pension plan	0	0	0	0
Total pension costs charged to the income statement for the year	4 534	4 220	2 874	1 941
Changes in pension assumptions charged to Other results components	-1 305	-1 224	-1 399	-88
Secured Pensions	20.02.21	20.02.20	20.02.21	20.02.20
Estimated pension obligations	3 836	5 240	4	138
Pension plan assets (at market value)	-1 925	-2 051	0	-543
Social Security Tax (SST)	0	9	0	0
Unrecognised past service cost	0	0	0	0
Unrecognised effects of actuarial gains/losses	0	0	0	0
Net pension obligations	1 911	3 198	4	-405
Unsecured Pensions	20.02.21	20.02.20	20.02.21	20.02.20
Estimated pension obligations	5 845	3 550	5 845	3 550
Pension plan assets (at market value)	0	0	0	0
Social Security Tax (SST)	1 116	678	1 116	678
Unrecognised effects of actuarial gains/losses	0	0	0	0
Net pension obligations	6 962	4 228	6 962	4 228
Net pension assets	-256	0	0	0
Net pension obligations	9 128	7 426	6 966	3 824
Net pension obligations	8 872	7 426	6 966	3 824
Assumptions used to determine benefit obligation:	20.02.21	20.02.20	20.02.21	20.02.20
Discount rate	1.70%	2.30%	1.70%	2.30%
Wage growth	2.25%	2.25%	2.25%	2.25%
Yearly increase in pension payments	0%/1.50%	0%/1.50%	0%/1.50%	0%/1.50%
Yearly increase in G	2.00%	2.00%	2.00%	2.00%
Yield on pension assets	1.70%	2.30%	1.70%	2.30%
Average turnover members over/under 40 years old	0-8%	0-8%	0-8%	0-8%
Industry tariff basis of mortality prepared by Finansnæringens Fellesorganisasjon	K2013/KU	K2013/KU	K2013/KU	K2013/KU



The table below shows an estimate of the potential effects in benefit pension obligation of changes in the key assumptions for the defined benefit plans in Norway.

Benefit pension obligation (change in %)	Discount rate	Future wage growth	Social security base amount	Annual adjustment to pensions
Basis actuarial assumptions	2.30%	2.25%	2.00%	1.50%
Increase with 0.5%-points	-6%	0%	0%	7%
Decrease with 0.5%-points	7%	0%	0%	-6%

NOTE 11

TAX

All figures in USD 1.000

ASSOCIATION

Tax expense	20.02.21	20.02.20
Withholding tax/branch taxation	1 130	123
Tax payable	4 629	6 993
Change in tax estimate last year	0	212
Change in deferred tax	2 097	3 708
Exchange rate differences	11 553	-16 399
Tax expense	19 409	-5 363

Tax base calculation

Profit before income tax	43 123	34 245
Permanent differences	-56 798	-37 081
Difference in estimated tax, previous years	-1 929	0
Change in accumulated deficit	0	-8 671
Change in temporary differences	43 308	37 619
Exchange rate differences	-4 864	1 861
Tax base	22 841	27 974

Specification of tax effects resulting from temporary differences:	20.02.21		20.02.20	
	Asset	Liability	Asset	Liability
Non-current assets	83			186
Bad debt accruals	2 112		2 462	
Pensions	6 962		3 849	
Gains and losses		177		200
Other temporary differences		0		0
Contingency reserve		294 848		305 790
Financial assets		170 656		108 511
Accumulated deficit	0		0	
Total	9 157	465 680	6 310	414 688
Deferred tax asset (liability)		-114 131		-102 094
Total deferred tax liability balance sheet		-114 131		-102 094



All figures in USD 1,000

Specification of tax expense	20.02.21	20.02.20
25% tax on profit before tax	10 781	8 561
Tax effect from permanent differences	-14 199	-9 270
Changes in deferred tax	12 924	10 813
Difference in estimated tax previous years	-482	212
Currency effect	10 386	-15 679
Tax expense for the period	19 409	-5 363

The Association has disputed the taxation of historical contingency reserve in 2018/19 tax papers and the payment of tax payable related to this is put on hold.

CONSOLIDATED

Tax income	20.02.21	20.02.20
Withholding tax/branch taxation	1 130	123
Tax payable	4 629	6 993
Change in tax estimate last year	0	212
Change in deferred tax	89	4 417
Tax payable in subsidiaries	2 076	-392
Exchange rate differences	11 553	-16 399
Tax expense	19 478	-5 045

Specification of tax effects resulting from temporary differences:	20.02.21		20.02.20	
	Asset	Liability	Asset	Liability
Non-current assets	83			186
Bad debt accruals	2 112		2 462	
Pensions	9 516		7 451	
Gains and losses		177		200
Other temporary differences	3 355			2 211
Contingency reserve		294 848		305 790
Financial assets		170 656		108 511
Accumulated deficit	0		0	
Total	15 066	465 680	9 912	416 899
Deferred tax asset (liability)		-112 654		-101 011
Total deferred tax liability balance sheet		-112 654		-101 011

NOTE 12

OFF-BALANCE SHEET ITEMS

Guarantees

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 888.7 million have been issued to claimants in connection with claims, of which the latter makes up by far the greater part. The face value of these guarantees greatly exceeds the expected payments from the related claims. The expected payments from these claims are fully covered in the provisions made for outstanding claims.



NOTE 13

SALARIES AND OTHER ADMINISTRATION EXPENSES

All figures in USD

	Board remuneration	Salary	Bonus	Benefits in kind	Pension cost	Total remuneration
Executive Management						
Ståle Hansen (President and CEO)		836 958	436 743	42 964	435 206	1 751 871
Kristian Dekke Løberg (Chief Financial Officer)		303 872	97 699	27 505	45 843	474 919
Lars Dueled (Chief Underwriting Officer)		316 868	78 733	30 362	89 205	515 168
Trude S. Husebø (Chief Human Resources Officer)		257 935	56 646	28 236	44 154	386 972
Hilde Søbstad Løvskar (Chief Legal Officer)		183 766	16 257	26 050	30 971	257 042
Gregory Thomas (Chief Business Development Officer)		348 330	61 715	66 217	46 197	522 458
Alem Jasarevic (Chief Operating Officer)		192 226	40 930	24 990	30 933	289 079
Mattias Hedqvist (Chief Claims Officer)		239 865	53 663	25 651	40 187	359 365
Members of the Board						
Klaus Kjærulff (Chairman)	62 000					62 000
Martin Larsen (Member)	25 000					25 000
Ann-Marie Åström (Member)	25 000					25 000
Catherine Cheung (Member)	25 000					25 000
Terje Hj Michelsen (Member)	25 000					25 000
Claus Spinding (Employee representative)	15 000					15 000
Peter Bløcher (Employee representative)	10 000					10 000
Daria Avdeeva (Employee representative)	25 000					25 000
Total remuneration	212 000	2 679 819	842 385	271 975	762 696	4 768 875

Regulation on remuneration schemes in financial institutions, established by the Ministry of Finance 1 December 2010, states that the company shall make public information on the main principles for determination of remuneration, criteria for determination of variable remuneration, as well as quantitative information on remuneration of Executive management, employees with responsibilities of particular significance for the company's risk exposure, and employees with supervisory responsibilities and elected representatives with corresponding remuneration.

Corporate guidelines for remunerations in Skuld apply to remunerations for all employees. The guidelines determine that total remunerations shall be given based on an overall assessment of the group's results as well as the unit's and each employee's contribution.

Remuneration shall be designed in such a way that it does not contribute to cause Skuld unwanted risk. The remuneration shall be competitive, but at the same time cost-effective for Skuld. The guidelines also determine that monetary remuneration shall consist of a basic salary as well as a variable portion where appropriate. The basic salary shall be remuneration for the responsibility, demands and complexity associated with the position, while variable salary shall encourage additional performance and desired behaviour. The scheme is designed in accordance with Skuld's Reward and Recognition policy and general guidelines adopted by the Board's remuneration committee. The President and CEO has the overall responsibility for Skuld's scheme in accordance with the prevailing guidelines. The corporate guidelines for variable remuneration shall ensure that Skuld's schemes prevent excessive risk-taking as well as achieve and maintain an adequate and robust solvency ratio and long-term profitability. The scheme shall support Skuld's strategy and interest and ensure compliance with Skuld defined risk appetite.



For employees subject to regulations on remuneration, a minimum of 50 per cent of the accrued variable remuneration is divided into 3 parts with a holding period (deferred and conditional) with 1/3 each year over three years. The deferred and conditional payment will follow the provisions of the remuneration regulation. Total deferred bonus for employees subject to regulations on remuneration is USD 821 126.

Total Remuneration for the Committee, Audit-, Election-, Risk- and Remuneration Committee is USD 206 650.

Number of employees in the Group as of 20 February 2021 was 286.

Auditor's remuneration

Skuld has changed auditor from the financial year 2020/21. The agreed audit fee for financial year 2020/21 with current elected auditor is USD 339 910 for Group and USD 216 505 for the Association.

Auditor's remuneration for 2019/20 (former auditors)

	2019/20	
	Group	Association
Audit fee	434 132	260 384
Further assurance services	22 793	0
Other services	71 097	49 169
Tax services	35 146	31 096

All amounts exclusive VAT.

NOTE 14

MORTGAGES AND OTHER LOANS TO EMPLOYEES, BOARD AND OTHER

All figures in USD 1,000

Loans to Executive Management:	20.02.21
Ståle Hansen (President and CEO)	220
Kristian Dekke Løberg (Chief Financial Officer)	53
Lars Dueled (Chief Underwriting Officer)	40
Trude S. Husebø (Chief Human Resources Officer)	30
Gregory Thomas (Chief Business Development Officer)	23
Alem Jasarevic (Chief Operating Officer)	24
Mattias Hedqvist (Chief Claims Officer)	31
Hilde Søbstad Løvskar (Chief Legal Officer)	10
Total	430
Other loans to employees	10

There are no other loan or guarantee issued to member of the board, control committee or other bodies.

Conditions:

Interest rate: Norwegian authorities minimum tax free interest rate

Term: Max 3 years

Collateral: Withheld granted bonus payment



NOTE 15

INTERCOMPANY ACCOUNTS AND TRANSACTIONS

All figures in USD 1,000

	ASSOCIATION			
	Receivables		Payables	
	20.02.21	20.02.20	20.02.21	20.02.20
Intercompany accounts	47 035	31 982	13 075	14 797

	Sales		Interests	
	2020/21	2019/20	2020/21	2019/20
Skuld Hellas Ltd	1 179	1 265		
Skuld Far East Ltd	5 214	4 678		
Skuld Germany GmbH	3 090	2 816		
Skuld North America Inc	5 126	5 108		
Skuld Services Ltd	6 227	5 401		
Skuld Marine Agency (SMA) AS	3 013	3 740		
Skuld I Ltd and Skuld II Ltd*			-102	955
Skuld Investment Ltd			761	-267
Intercompany transactions	23 850	23 009	660	688

*Skuld I Ltd and Skuld II Ltd are sold as of 20.02.2021. Please refer to note 9 for further information.

NOTE 16

CASH AND BANK HOLDINGS

All figures in USD 1,000

Part of the Group's cash holdings are restricted funds to cover employers' tax and future claim payments.

	20.02.21
Association	48 446
Consolidated	61 148



To the General Meeting of Assuranceforeningen Skuld (Gjensidig)

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Assuranceforeningen Skuld (Gjensidig), which comprise:

- The financial statements of the parent company Assuranceforeningen Skuld (Gjensidig) (the Company), which comprise the statement of financial position as at 20 February 2021, the income statement, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Assuranceforeningen Skuld (Gjensidig) and its subsidiaries (the Group), which comprise the statement of financial position as at 20 February 2021, the income statement, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 20 February 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 20 February 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 May 2021

PricewaterhouseCoopers AS

Erik Andersen

State Authorised Public Accountant



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