



# Skuld

## Club Financial Summary

October 2019

## Highlights

Owned tonnage

**-1.1%**



Premium increase

**-0.4%**



Incurred claims

**-2.8%**



Free Reserves

**+2.4%**



Investment return

**0%**



Combined ratio

**98%**



- Owned mutual tonnage reduced by 1.1%
- Premiums decreased by 0.4%
- **Gross paid claims increased by 9.7%** but net paid claims reduced by 2.5%
- Net incurred claims reduced by 2.8%
- **USD 8 million underwriting surplus**
- A marginal positive investment return resulted in an **overall surplus of USD 10.7 million**
- Net Assets increased by 1.2%, Free Reserves increased by 2.4%

### Lloyd's Syndicate and Club Diversification

Skuld provide no breakdown of the financial year figures for their Lloyd's Syndicate, which are included within the overall results summarised above. The only indication of performance disclosed by Skuld is their policy year statements. The latest Syndicate policy year report is summarised below. In 2018/19 the Club determined to close its Lloyd's Syndicate and underwrite marine insurances on its own security rather than Lloyd's. It continues to provide a negative contribution to the club's overall positive result.

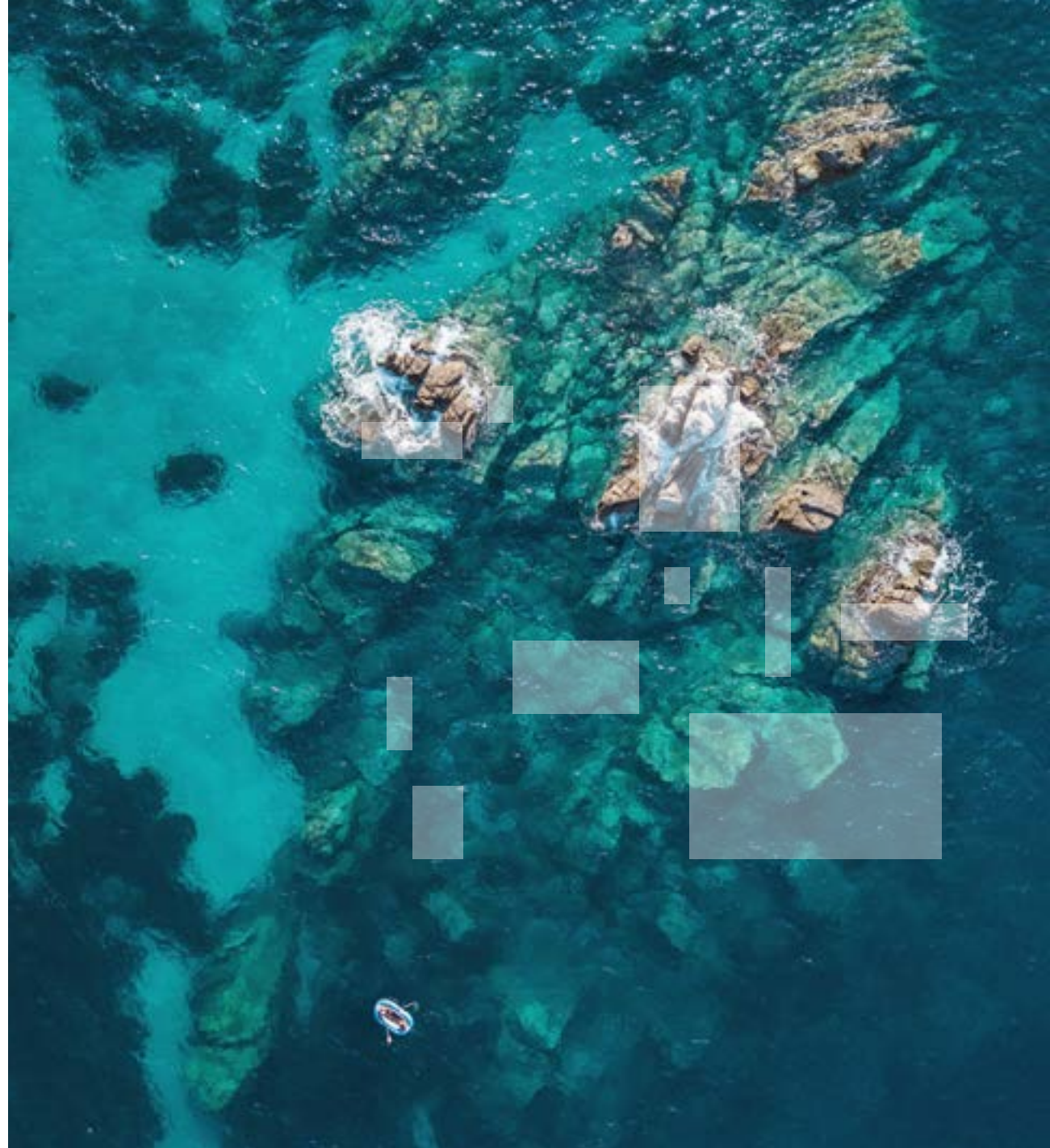
Syndicate result - Policy Year Basis (USD ,000's)	2016/17	2017/18	2018/19
<b>Premiums</b>	<b>107,904</b>	<b>115,381</b>	<b>30,549</b>
Reinsurance	-26,048	-41,098	-2,560
Operating Expenses	-28,661	-29,828	-12,229
<b>Operating Income</b>	<b>53,195</b>	<b>44,455</b>	<b>15,760</b>
<b>Net Incurred Claims</b>	<b>65,352</b>	<b>60,889</b>	<b>23,784</b>
<b>Technical Deficit</b>	<b>-12,157</b>	<b>-16,434</b>	<b>-8,024</b>
Investment Income	6,426	3,487	-8,008
<b>Deficit for Year</b>	<b>-5,731</b>	<b>-12,947</b>	<b>-16,032</b>



## Combined ratio

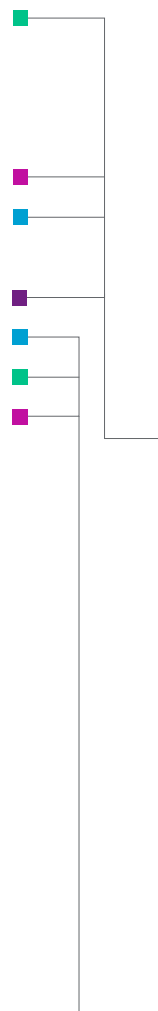
Skuld reported a combined ratio of 98% in 2018/19, the fourth consecutive year of underwriting surplus.

\*2017/18 result includes return of premium to Members



# Consolidated financials

P&I only (USD 000s)	2016/17	2017/18	2018/19
<b>Calls and Premiums</b>	<b>385,015</b>	<b>403,159</b>	<b>401,621</b>
Reinsurance Premiums	-58,136	-57,363	-56,070
Operating Expenses (policy year)	-88,510	-92,244	-92,937
<b>Operating Income</b>	<b>238,369</b>	<b>253,552</b>	<b>252,614</b>
Gross Paid Claims	247,647	273,777	300,443
Net Paid Claims	235,696	244,248	238,087
Net Change in Provision for Claims	-6,552	7,333	6,490
Net Incurred Claims	229,143	251,580	244,577
<b>Technical Surplus (Deficit)</b>	<b>9,226</b>	<b>1,972</b>	<b>8,037</b>
Investment Income	36,619	45,979	2,660
<b>Overall Surplus for Year (Deficit)</b>	<b>45,845</b>	<b>47,951</b>	<b>10,697</b>





## Consolidated financials

Group result (USD 000s)	2016/17	2017/18	2018/19
■ Net Assets (market)	901,269	969,767	981,694
■ (Net) Outstanding Claims	507,194	527,741	528,971
■ Free Reserves	394,075	442,026	452,723
	2017	2018	2019
<b>S&amp;P Rating</b>			
	A	A	A
<b>AER (Average Expense Ratio)</b>			
Five years ending 20, February:	12.8	12.7	12.8

Copyright 2019 Standard & Poor's Financial Services LLC. Reproduction of S&P Credit Ratings in any form is prohibited except with the prior written permission of Standard & Poor's Financial Services LLC (together with its affiliates, S&P). S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of ratings. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of Ratings. S&P's ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

## Entered tonnage

	2017	2018	2019
<b>Entered Tonnage (GT, millions)</b>			
<b>Owned / Mutual</b>	<b>85.0</b>	<b>90.0</b>	<b>89.0</b>

*Skuld, probably sensibly, do not advise the entered tonnage on chartered business, however the premiums for this class is as follows:*

<i>Chartered Premium (USD millions)</i>	<i>43</i>	<i>50</i>	<i>51</i>
---	-----------	-----------	-----------





# Glossary

## Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

## Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of:} = \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

## Basis of financial analysis

*The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.*

A glossary of terms is provided below.

## Glossary of terms

<b>Calls and Premiums</b>	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
<b>Operating Income</b>	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
<b>Technical Surplus (Deficit)</b>	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
<b>Overall Surplus for Year (Deficit)</b>	Incurred technical surplus (deficit), plus investment income
<b>Net Assets</b>	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
<b>Free Reserves (Including Forecast Deferred Calls)</b>	Net assets, less outstanding claims

# Contacts

## Ben Abraham

D: +44 (0)20 3124 7786

M: +44 (0)7799 415806

ben.abraham@WillisTowersWatson.com

## About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).



[willistowerswatson.com/social-media](http://willistowerswatson.com/social-media)

Willis Limited, Registered number: 181116 England and Wales.

Registered address: 51 Lime Street, London, EC3M 7DQ.

A Lloyd's Broker. Authorised and regulated by the Financial Conduct Authority for its general insurance mediation activities only.

Copyright © 2019 Willis Towers Watson. All rights reserved.  
WTW249527/0519

[willistowerswatson.com](http://willistowerswatson.com)