



September 2020

Skuld

Club Financial Summary



Highlights 2019/20 financial year

- Owned mutual tonnage increased by 7.2%
- Premiums decreased by 2.7%
- Reinsurance costs reduced by 15.5%
- Gross paid claims reduced by 8.7% but net paid claims increased by 9.7%
- Net incurred claims increased by 18%
- USD 35.2 million underwriting loss, equating to a net combined ratio of 110%
- 5.5% return on investments
- Very positive investment return offset the adverse underwriting result allowing net assets to increase by 3.2% and free reserves to increase by 2.9%

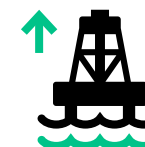
Owned tonnage
increased by
+7.2%



Premium income
decreased by
-2.7%



Net incurred claims
increased by
+18%



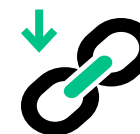
+2.9%
Free reserves



Investment return
+5.5%



Combined ratio
deteriorated to
110%
(from 98% in 2018/19)



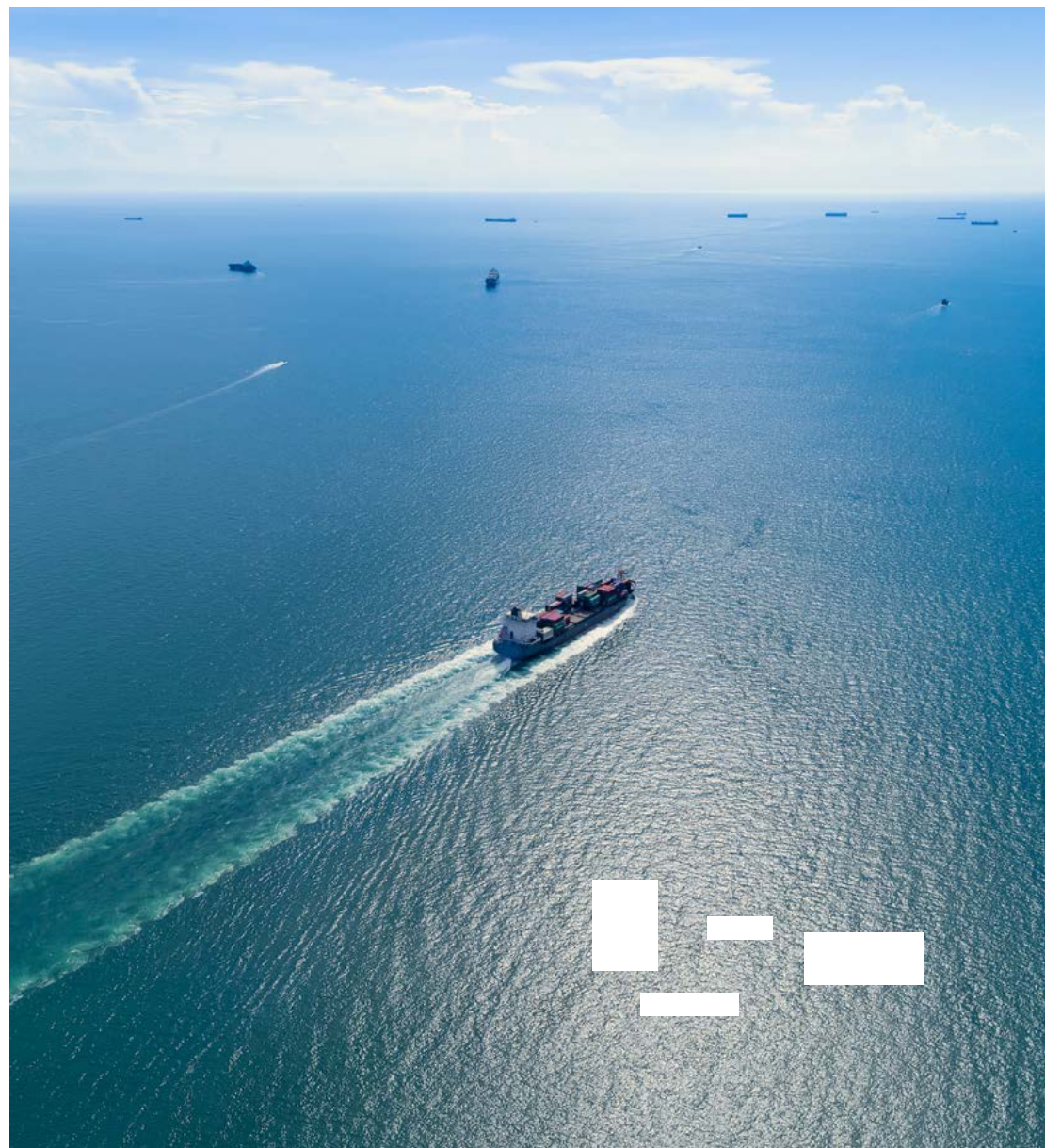
Combined ratio

USD 35.2 million underwriting loss, equating to a net combined ratio of 110%.

Combined ratio



In 2018/19 Skuld closed its Lloyd’s Syndicate and chose to underwrite marine insurances on its own security rather than Lloyd’s. From policy year statements, the run-off of the Skuld Syndicate continues to provide a negative contribution to the club’s overall result. Similarly from the policy year statements, in 2019/20 the contribution of the other fixed premium areas was positive.



Consolidated financials

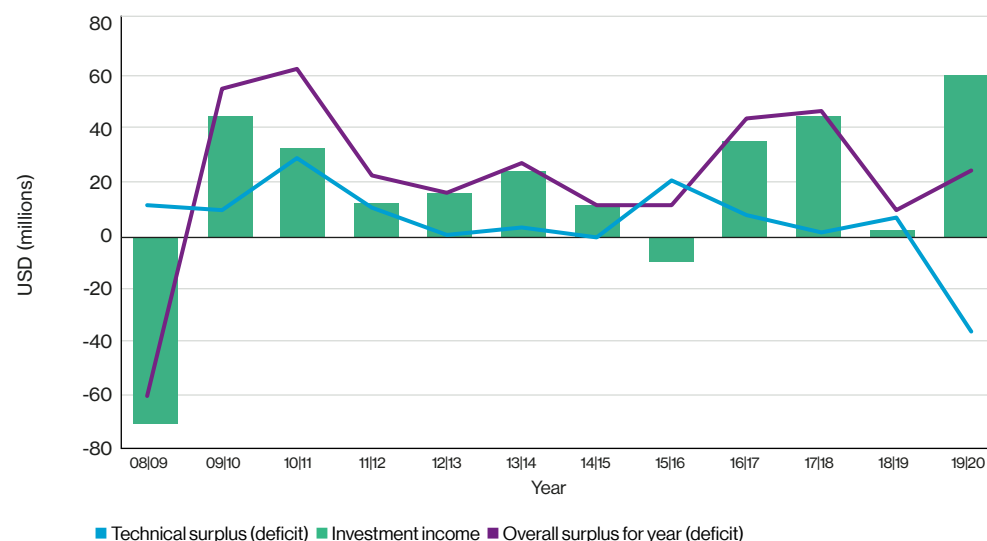
(USD 000s)	2017/18	2018/19	2019/20
Calls and Premiums	403,159	401,621	390,760
Reinsurance Premiums	-57,363	-56,070	-47,361
Operating Expenses	-92,244	-92,937	-89,775
Operating Income	253,552	252,614	253,624
Gross Paid Claims	273,777	300,443	274,153
Net Paid Claims	244,248	238,087	261,263
Net Change in Provision for Claims	7,333	6,490	27,579
Net Incurred Claims	251,580	244,577	288,842
Technical Surplus (Deficit)	1,972	8,037	-35,218
Investment Income	45,979	2,660	60,711
Overall Surplus for Year (Deficit)	47,951	10,697	25,493

Very positive investment return offset the adverse underwriting result allowing net assets to increase by 3.2% and free reserves to increase by 2.9%

Underwriting development



Overall result - including investment income

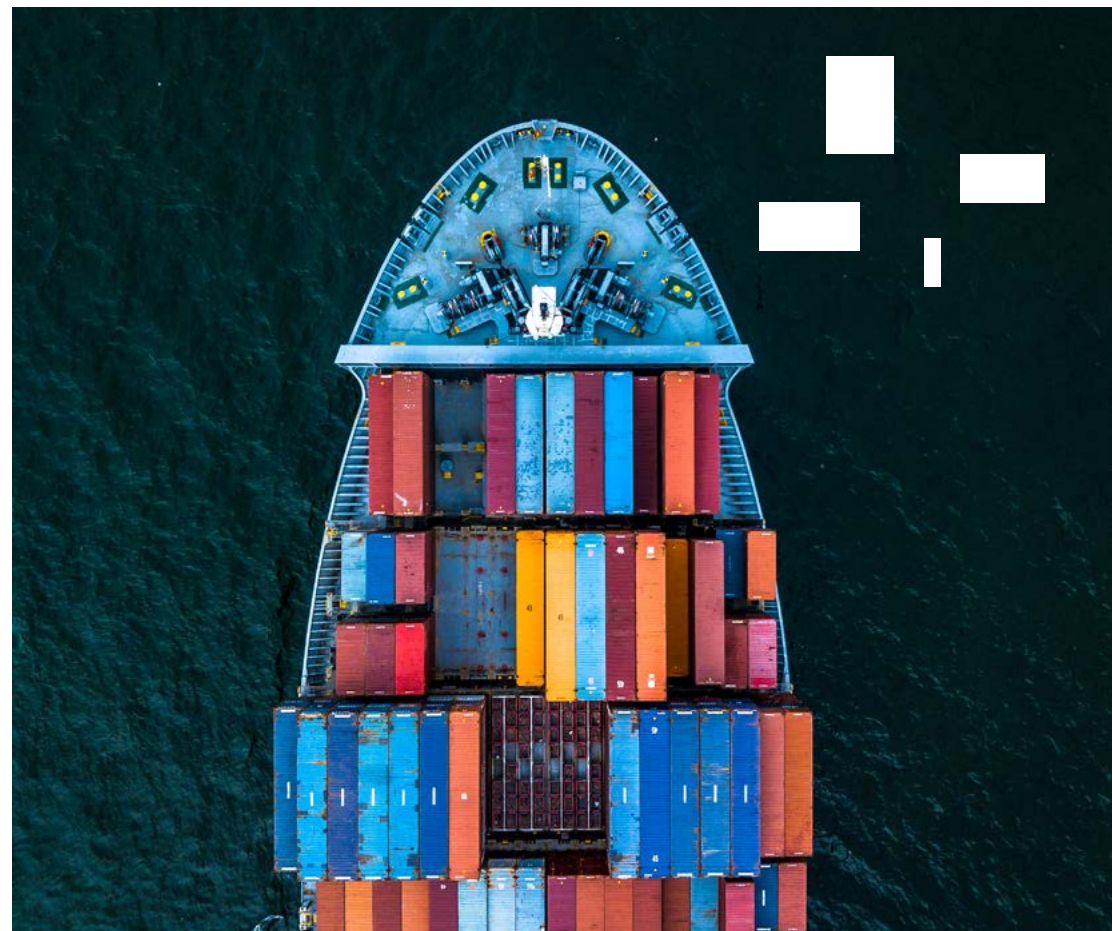
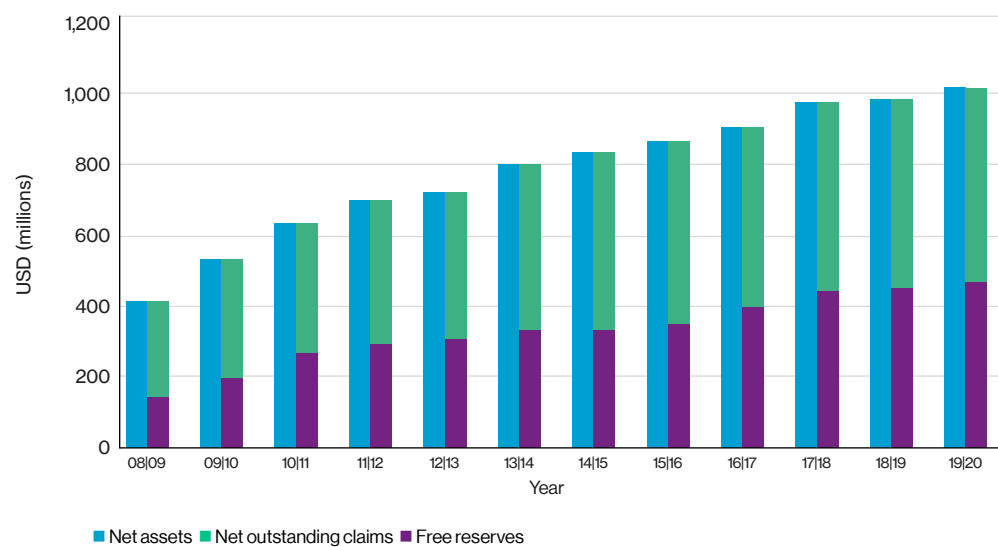


Consolidated financials

(USD 000s)	2018	2019	2020
Net Assets	969,767	981,694	1,012,758
Net Outstanding Claims	527,741	528,971	546,913
Free Reserves	442,026	452,723	465,845
<hr/>			
	2018	2019	2020
S&P Rating*	A	A	A
<hr/>			
AER (Average Expense Ratio)			
Five years ending 20 February:	2018	2019	2020
	12.7	12.8	13.0

* Stable outlook. Figures are correct at the time of release.

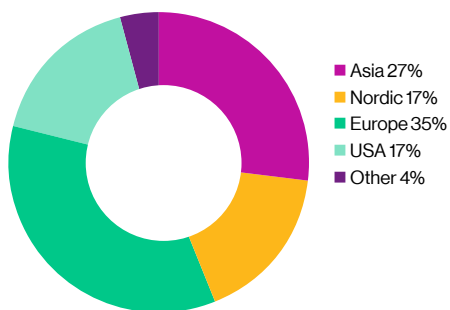
Assets and free reserves



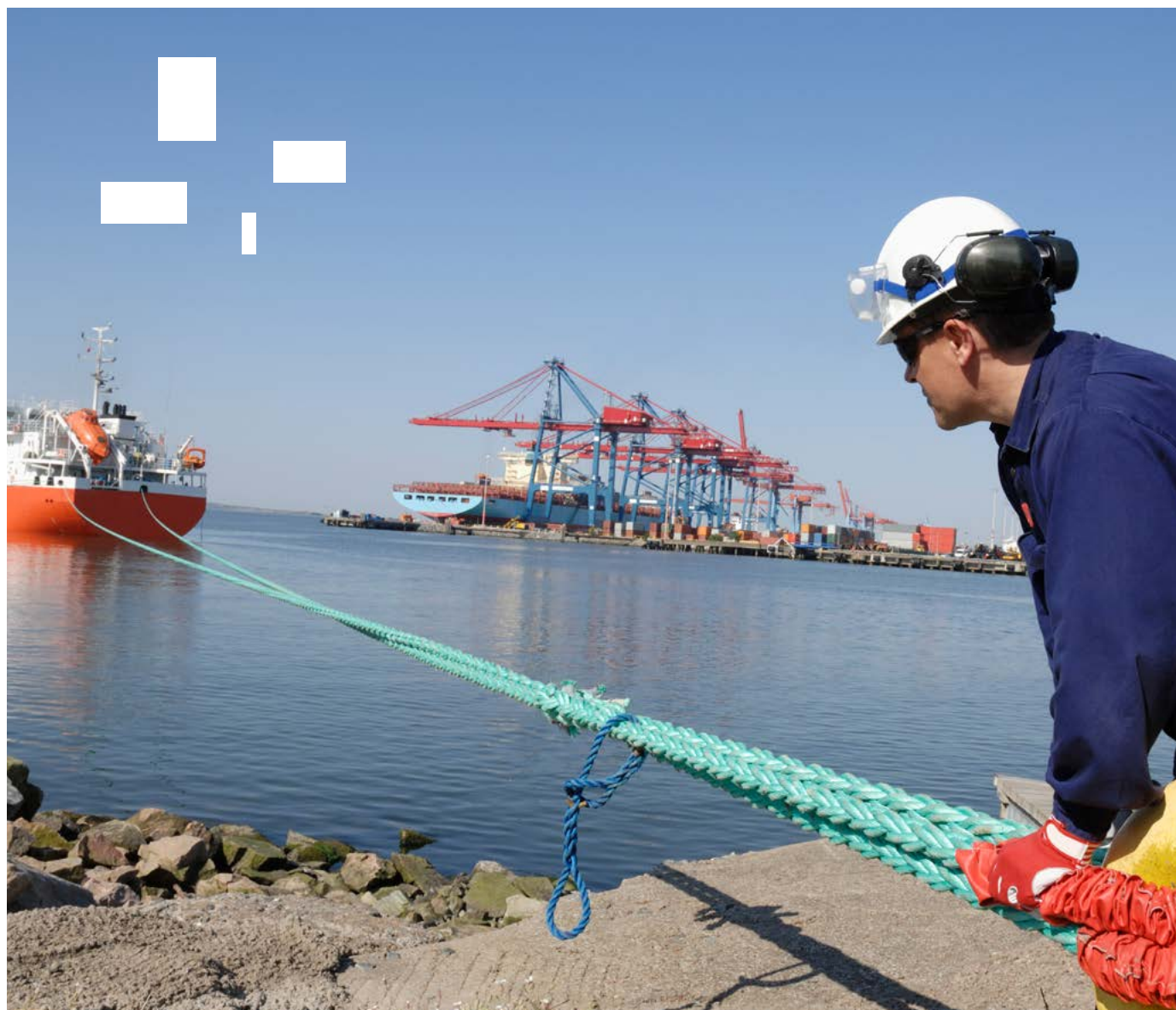
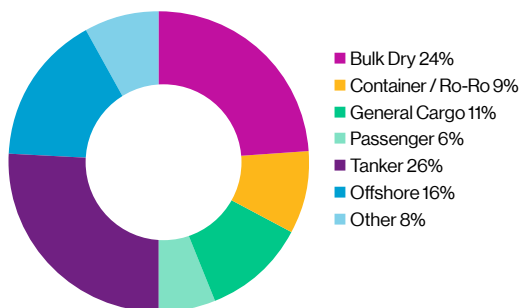
Entered tonnage

(GT, millions)	2018	2019	2020
Owned / Mutual	90.0	89.0	95.4
<i>Skuld, probably sensibly, do not advise the entered tonnage on chartered business, however the premiums for this class is as follows:</i>			
Charterers Premium (USD millions)	50	51	54

Tonnage split by nationality of management



Tonnage split by vessel type



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:

$$\text{The AER formula is the five-year average of: } \frac{\text{Operating costs x100}}{\text{(Premium income + Investment income)}}$$

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

Calls and Premiums	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)
Operating Income	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
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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