

## Review of policy years, premium rating for the 2012 policy year, and half year status report as at 20 August 2011

### Introduction

We are pleased to report that the financial position of Gard P. & I. (Bermuda) Ltd and Assuranceforeningen Gard – gjensidig (the “Associations”) as at the end of the second quarter of 2011 (20 August 2011) is strong. Key accounting and performance figures<sup>1</sup> and decisions by the Boards of the Associations are reported with the consent of Lingard Limited, the Manager of Gard P. & I. (Bermuda) Ltd, and can be summarized as follows:

- As at 20 August 2011 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 798 million (USD 790 million as at 20 February 2011).
- Policy year 2008 is closed with no supplementary calls being levied.
- No further deferred calls or supplementary calls are expected for the 2009 and 2010 policy years.
- Based on a combined ratio net (“CRN”) target of 105 per cent for P&I, a general increase of 5 per cent for mutual P&I and FD&D entries is required.

When discussing the policy years below, the term ‘supplementary call’ is only used for a call exceeding the forecast ‘deferred call’ for the year.

### Review of policy years

#### Closed years

Closed years up to and including the 2008 policy year have progressed as projected.

#### 2008 policy year closed

A 25 per cent deferred call as forecasted was levied in September 2009. The year is estimated to produce a deficit. Against the background of the Associations’ overall strong financial position the Boards have decided to close the 2008 policy year without any further calls being levied.

#### Open policy years

##### *The 2009 policy year*

A deferred call of 10 per cent, 15 per cent less than forecasted, was levied in September 2010. The year is expected to produce a substantial surplus and is expected to be closed in October 2012 without any further calls being levied.

<sup>1</sup> The term “consolidated” means the consolidated accounts for Assuranceforeningen Gard – gjensidig, Gard P. & I. (Bermuda) Ltd and their subsidiaries.

### *The 2010 policy year*

A deferred call of 15 per cent, 10 per cent less than forecasted, was levied in September 2011. The year is estimated to produce a surplus and is expected to be closed in October 2013 without any further calls being levied.

### *The 2011 policy year*

During the first six months of the year the Associations have experienced an increase in the value of reported claims. The value of reported claims is slightly above the budget for the year as at 20 August. Members should continue to budget with the full deferred call of 25 per cent being levied for the 2011 policy year.

### **Release calls**

The Boards resolved that the release calls for open policy years (including 2012) be set as follows:

For the 2009 policy year:	nil
For the 2010 policy year:	10 per cent
For the 2011 policy year:	50 per cent
For the 2012 policy year:	50 per cent

### **Premium policy for the 2012 policy year**

As a general principle, the level of premium for both mutual and fixed premium entries will depend on the individual Member's loss record and expected claims. However, it has been decided that also for the 2012 policy year, as for the current year, the premium policy for ordinary P&I business should be a technical result target expressed as a CRN rather than as a general premium increase across the board for all entries. The CRN expresses the estimated claims and administration costs for the year over estimated premiums earned.

Against this background the Boards decided that premium adjustments resulting in a forecast CRN for Gard P&I, fixed premium business included, of 105 per cent for the 2012 policy year have to be made. To achieve this target a general increase in the advance calls for owners entered on a mutual basis for P&I and FD&D risks of 5 per cent is required. The deferred call for all mutual entries was set at 25 per cent of the advance call.

The standard deductibles of the Associations will remain unchanged for the 2012 policy year.

In addition, separate adjustments will be made in each Member's premium rating to reflect changes in the cost of the International Group's reinsurance arrangements for the 2012 policy year. Further details about the International Group and the Associations' reinsurances for the 2012 policy year will be published later.

### **Half year status report as at 20 August 2011**

#### *Tonnage (P&I mutual)*

Total tonnage entered on behalf of owners on a mutual basis as at 20 August 2011 amounted to 136 million GT. Comparable figures as at 20 February 2011 were 130 million GT.

*Key figures from the consolidated accounts*

The total balance available to meet outstanding and unreported claims amounted to USD 2,662 million of which the general contingency reserve represented USD 798 million. Comparable figures as at 20 February 2011 were USD 2,352 million and USD 790 million, respectively.

The technical account shows a deficit of USD 6 million resulting in a CRN of 102 per cent. The non-technical account shows a surplus of USD 18 million resulting in an overall surplus after tax for the six months period to 20 August 2011 of USD 6 million.

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If you have any questions, please contact Bjørnar Andresen (Senior Vice President) or Rolf Thore Roppestad (Senior Vice President).

Yours faithfully,

**GARD AS**



Claes Isacson  
Chief Executive Officer