

Member Circular No. 04-12

May 2012

Review of Policy Years

Dear Sirs,

At their recent meetings your Boards received reports on matters of importance for the business activities of Gard P. & I. (Bermuda) Ltd and Assuranceforeningen Gard - gjensidig (the "Associations") and were pleased to note that the financial position of the Associations had strengthened further.

To summarise,

- The Boards decided to levy a 20 per cent Deferred Call for the 2011 policy year, 5 per cent less than the 25 per cent originally forecast.
- As at 20 February 2012 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 826 million (USD 790 million last year) based on a 20 per cent Deferred Call for the 2011 policy year.
- No further Deferred Calls or Supplementary Calls are expected for the 2009 and 2010 policy years.

More detailed information will be provided in the Financial Statement and Report for the Gard Group to be published in July.

When discussing the policy years below, the term "Supplementary Call" is only used for a call exceeding the forecast "Deferred Call" for the year.

Closed years

Closed policy years are developing as previously forecast.

Open years

The 2009 policy year

In May 2010 it was decided to levy a Deferred Call of 10 per cent, 15 per cent less than budgeted.

During the last 12 months the value of reported liabilities allocated to the 2009 policy year has developed favourably and improved the technical result. The year has also produced a substantial non-technical surplus and has made a substantial contribution to the contingency reserve.

No further Deferred Calls or Supplementary Calls are expected to be levied for this policy year. The year can at the earliest be closed in October 2012.

The Release Call for the year was set at Nil.

The 2010 policy year

In May 2011 it was decided to levy a Deferred Call of 15 per cent, 10 per cent less than budgeted.

The value of reported claims for the policy year 2010 is still above the value of reported liabilities at the same time in the two previous policy years, but has improved compared to the figures reported at this time last year. Although the technical result for the year at this stage still is negative, the year is expected to result in a surplus due to a positive non-technical result.

No further Deferred Calls or Supplementary Calls are expected to be levied for this policy year. The year can at the earliest be closed in October 2013.

The Release Call for the year was set at 5 per cent of the Advance Call.

The 2011 policy year

The nominal value of reported claims for the 2011 policy year was about 11 per cent above comparable figures for the 2010 policy year 12 months from inception. The same figures compared to 2009 represent an increase of 51 per cent.

The policy year is expected to end with a technical deficit even before reduction in the Deferred Call. However, due to a non-technical surplus, including a dividend from Gard Marine & Energy Limited, the year is expected to produce a profit even with a 5 per cent reduction in the Deferred Call.

Against this background the Boards of Directors decided that a Deferred Call of 20 per cent (against a forecast of 25 per cent) should be levied to fall due for payment on 3 September 2012.

The 2011 policy year can at the earliest be closed in October 2014.

The Release Call for the year was set at 45 per cent of the Advance Call (to be reduced to 25 per cent when the Deferred Call has been paid.)

The 2012 policy year

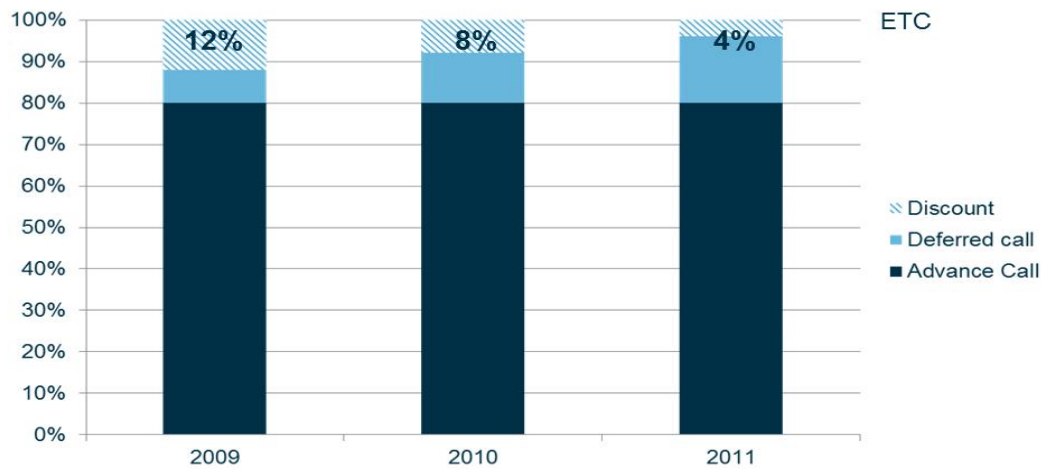
The Boards of Directors confirmed that the Release Call for the year should be set at 50 per cent of the Advance Call, which is 25 per cent above the budgeted Deferred Call for the year.

Summary

To summarise, the following decisions were taken:

- (i) The 2009 policy year: No further Deferred Calls or Supplementary Calls will be made for this policy year.
- (ii) The 2010 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year.
- (iii) The 2011 policy year: A Deferred Call of 20 per cent has been ordered for this policy year for payment on 3 September 2012.

The savings the decisions represent can be illustrated as follows:



- Estimated Total Calls (ETC) are the comparable figures all P&I Clubs in the International Group use to name the agreed price for insurance at renewal.
- The Deferred Call (last installment) is payable in the following year and may be reduced when the overall financial result of the Gard Group allows. The above figure demonstrates the percentage saving Members have enjoyed on their agreed rates as a consequence of the reduced Deferred Calls.

(iv) Release Calls:

The 2009 policy year: Nil

The 2010 policy year: 5 per cent of Advance Call.

The 2011 policy year: 45 per cent of Advance Call.*

The 2012 policy year: 50 per cent of Advance Call.

*To be reduced to 25 per cent once the Deferred Call of 20 per cent has been paid.

If you have any questions, please contact the underwriting department.

Yours faithfully,
GARD AS



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For and on behalf of an entity of the Gard Group comprising, inter alia; Gard P. & I. (Bermuda) Ltd, Assuranceforeningen Gard - gjensidig - and Gard Marine & Energy Limited. Gard AS is registered as an insurance intermediary by the Norwegian Financial Supervisory Authority. Company Code : 982 132 789