

To the Members

Review of policy years, premium rating for the 2013 policy year, and half year status report as at 20 August 2012

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 2012 (20 August 2012) remains strong. Key accounting and performance figures¹ 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 2012 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 817 million (USD 826 million as at 20 February 2012).
- Policy year 2009 is closed with no further calls being levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2010 and 2011 policy years.
- A general increase of 5 per cent in the Advance Calls for mutual P&I and FD&D entries for the 2013 policy year.

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 2009 policy year have progress as projected.

2009 policy year closed

A 10 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2010. The year is estimated to produce a substantial profit and the Boards have decided to close the 2009 policy year without any further calls being levied.

Open policy years

The 2010 policy year

A 15 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2011. The year is estimated to produce a substantial profit and is expected to be closed in October 2013 without any further calls being levied.

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

The 2011 policy year

A 20 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2012. Even if the year is estimated to produce a loss, the year is expected to be closed in October 2014 without any further calls being levied due to the Associations' overall strong financial position.

The 2012 policy year

During the first six months of the 2012 policy year, there has been an increase in the value of reported claims compared to the 2011 policy year 12 months ago. Members should continue to budget with the full Deferred Call of 25 per cent being levied for the 2012 policy year.

Release Calls

The Release Calls are calculated as a percentage of the Advance Call for the relevant ship in the relevant open policy year. The Boards resolved that, based on the current forecasts and in line with the practice for setting Release Calls, the Release Calls for open policy years be set as follows:

For the 2010 policy year:	nil
For the 2011 policy year:	10 per cent of the Advance Call
For the 2012 policy year:	50 per cent of the Advance Call
For the 2013 policy year:	50 per cent of the Advance Call

Premium policy for the 2013 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 2013 policy year, as for the current year, the premium policy for ordinary P&I business should be a technical result target expressed as a combined ratio net ("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 2013 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 be increased with USD 1,000 with effect for the 2013 policy year. Deductibles below the current standard deductibles will be increased correspondingly.

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 2013 policy year. Further details about the International Group and the Associations' reinsurances for the 2013 policy year will be published later.

Half year status report as at 20 August 2012*Tonnage (P&I mutual)*

Total tonnage entered on behalf of owners on a mutual basis as at 20 August 2012 amounted to 168 million GT. Comparable figures as at 20 February 2012 were 163 million GT.

Key figures from the consolidated accounts

Total assets are up to USD 2,633 million from USD 2,494 million at the end of last year. On a consolidated basis, the general contingency reserve is down to USD 817 million from USD 826 million at the end of last year.

The consolidated technical result across all business areas is a deficit of USD 17.1 million resulting in a CRN of 105 per cent while the combined non-technical account is a positive USD 6.5 million. Thus, the overall result during the first half year of 2012 is a deficit of USD 11 million.

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