

**ASSURANCEFORENINGEN GARD -gjensidig-  
Profit & Loss Account**

Amounts in USD 000's

	<b>21.08.12 to 20.11.12</b>	<b>21.08.11 to 20.11.11</b>	<b>21.02.12 to 20.11.12</b>	<b>21.02.11 to 20.11.11</b>
<b>Technical account</b>				
Gross written premium	16,697	23,614	85,297	108,596
Estimated deferred call	3,712	4,452	10,708	13,594
Change in premium for unearned premiums	6,095	4,800	(20,204)	(26,334)
Ceded reinsurance	(4,196)	(5,954)	(38,947)	(45,518)
Reinsurers share of change in provision	(6,736)	(6,983)	6,674	7,229
<b>Net earned premium</b>	<b>15,572</b>	<b>19,929</b>	<b>43,527</b>	<b>57,567</b>
Gross settled claims	42,416	30,188	141,369	113,156
Reinsurers share of gross settled claims	(25,195)	(16,834)	(106,356)	(70,380)
Change in gross claims reserve	(23,418)	(24,917)	(90,718)	(58,972)
Reinsurers share of change in claims reserve	16,360	28,771	98,724	68,485
<b>Net claims cost</b>	<b>10,164</b>	<b>17,208</b>	<b>43,020</b>	<b>52,289</b>
<b>Acquisition costs</b>	<b>2,736</b>	<b>1,937</b>	<b>7,072</b>	<b>5,671</b>
<b>Net operating expenses</b>	<b>(513)</b>	<b>627</b>	<b>1,305</b>	<b>4,145</b>
<b>Technical result before change in contingency reserve</b>	<b>3,185</b>	<b>156</b>	<b>(7,869)</b>	<b>(4,539)</b>
Change in the contingency reserve	(8,486)	4,413	1,042	6,097
<b>Technical result</b>	<b>(5,301)</b>	<b>4,569</b>	<b>(6,827)</b>	<b>1,559</b>
<b>Non-technical account</b>				
Investment income	2,778	(49)	3,192	4,208
Change in unrealized gain of investments	843	(1,365)	1,683	(3,519)
Loss on realization of investments	1,816	(2,937)	2,746	(1,081)
Investment management expenses	(121)	(204)	(692)	(1,135)
<b>Non-technical result</b>	<b>5,316</b>	<b>(4,555)</b>	<b>6,930</b>	<b>(1,527)</b>
<b>Profit before tax</b>	<b>15</b>	<b>15</b>	<b>103</b>	<b>32</b>
Taxation	(15)	(15)	(103)	(32)
<b>Net result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**ASSURANCEFORENINGEN GARD -gjensidig-****Balance sheet**

Amounts in USD 000's

	<b>As at 20.11.12</b>	<b>As at 20.02.12</b>
<b>ASSETS</b>		
<b>Investments</b>		
Investments at amortised cost	2,123	3,465
Financial instruments at fair value through profit and loss	194,030	180,181
<b>Total investments</b>	<b>196,153</b>	<b>183,646</b>
<b>Reinsurers share of technical provisions</b>		
Reinsurers share of gross claims reserve	287,579	389,529
<b>Total reinsurers share of technical provisions</b>	<b>287,579</b>	<b>389,529</b>
<b>Receivables</b>		
Receivables from direct insurance operations	16,920	16,139
Receivables from reinsurance operations	2,946	2,269
Receivables from group companies	26,420	24,007
Other receivables	3,925	95
<b>Total receivables</b>	<b>50,211</b>	<b>42,510</b>
<b>Other assets</b>		
Equipment	2,967	2,962
Cash and cash equivalents	33,856	37,191
<b>Total other assets</b>	<b>36,823</b>	<b>40,153</b>
<b>Prepayments and accrued income</b>		
Accrued interest	1,032	844
Accrued income and other prepayments	317	1,440
<b>Total prepayments and accrued income</b>	<b>1,349</b>	<b>2,284</b>
<b>TOTAL ASSETS</b>	<b>572,114</b>	<b>658,121</b>

**ASSURANCEFORENINGEN GARD -gjensidig-****Balance sheet**

Amounts in USD 000's

	<b>As at 20.11.12</b>	<b>As at 20.02.12</b>
<b>LIABILITIES</b>		
<b>Technical provisions</b>		
Gross premium reserve	20,178	0
Gross claims reserve	427,544	527,236
<b>Total technical provisions</b>	<b>447,722</b>	<b>527,236</b>
<b>Contingency reserve</b>		
Contingency reserve	110,659	112,691
<b>Total contingency reserve</b>	<b>110,659</b>	<b>112,691</b>
<b>Provision for other liabilities</b>		
Pension obligations	3,450	4,386
<b>Total provisions for other liabilities</b>	<b>3,450</b>	<b>4,386</b>
<b>Creditors</b>		
Creditors arising out of direct insurance operations	261	69
Creditors arising out of reinsurance operations	7,229	4,078
Creditors group companies	142	2,582
Other creditors	2,229	5,679
<b>Total creditors</b>	<b>9,860</b>	<b>12,408</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	422	1,400
<b>Total accruals and deferred income</b>	<b>422</b>	<b>1,400</b>
<b>Total liabilities</b>	<b>572,114</b>	<b>658,121</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>572,114</b>	<b>658,121</b>

**ASSURANCEFORENINGEN GARD -gjensidig-****Cash flow analysis**

(All amounts are stated in USD 000's)

	<b>21.02.12 to 20.11.12</b>	<b>21.02.11 to 20.11.11</b>
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	103	32
Income tax expense	(103)	(32)
Change in unrealised gain/loss of investments	1,683	(3,519)
Change in pension obligation	(936)	(159)
Change in receivables and creditors	(10,248)	51,131
Change in technical provisions and other accruals	20,361	18,884
<b>Net cash flow from operating activities</b>	<b>A 10,861</b>	<b>66,338</b>
<b>Cash flow from investment activities</b>		
Purchase of fixed assets	(5)	(11)
Purchase/sale of other investment	(14,190)	(62,145)
<b>Net cash flow from investment activities</b>	<b>B (14,196)</b>	<b>(62,155)</b>
<b>Net change in cash and cash equivalents</b>	<b>A+B (3,335)</b>	<b>4,183</b>
Cash and cash equivalents at opening balance	37,191	33,359
<b>Cash and cash equivalents at closing balance</b>	<b>33,856</b>	<b>37,542</b>

## **NOTE 1. Accounting Policies**

### **Corporate information**

Assuranceforeningen Gard –gjensidig- is a mutual insurance association.

As a mutual insurance association it is owned by its Members. The registered office of the association is Kittelsbuktveien 31, 4836 Arendal. The association carries out marine liability and legal costs insurances. The principal activity of the association is the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance of a proportion of the Protection and Indemnity risk underwritten by Gard P. & I. (Bermuda) Ltd as direct insurer.

### **Basis of preparation of the Accounts**

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance. The quarterly Accounts have been prepared in accordance with “Regulations for annual accounts for insurance companies” approved by the Norwegian Ministry of Finance, which includes a limited use of IFRS regarding disclosures to the accounts.

The Association has a dispensation from the requirement to allocate investment return to the technical account.

According to a resolution from the Financial Supervisory Authority of Norway the Association can present the accounts in English language and USD, since the functional currency of the Association is USD. The association is exempted from presenting the statutory administrative expense reserve and the contingency reserve separately.

The quarterly accounts are based on the same accounting principles as used in the annual accounts for the year ended 20.02.2012.

The accounts as at 20.11.2012 has not been audited.

### **Use of accounting estimates when preparing the accounts**

The preparation of the accounts requires the Management to make estimates and assumptions that affects assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates can change. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly. Insurance contract liabilities are the main items in the balance sheet based upon judgments and estimates. Estimates are made both for the expected total cost of claims reported and for the expected total cost of claims incurred but not reported at the balance sheet date.

Actuarial methods are used in estimating the total cost of outstanding claims.

## **Note 2. Related party transactions**

### **Reinsurance agreements**

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures with effect from 20 February 2010 a proportion amounting to 2 per cent (15 per cent for policy years up to 2009) of Gard P. & I. (Bermuda) Ltd’s Protection and Indemnity risk underwritten that is not reinsured elsewhere. With effect from the same date the Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent (85 per cent for policy years up to 2009) of the Association’s retained Protection and Indemnity risk underwritten that is not reinsured elsewhere.

The Association have entered into a stop loss reinsurance agreement protecting the former against an adverse claims development with Gard Reinsurance Co Ltd (a company owned by Gard P.& I. (Bermuda) Ltd).

The Association has entered into a reinsurance agreement with the Gard Cell of Hydra Insurance Company Ltd (the Gard Cell is owned by Gard P. & I. (Bermuda) Ltd), Hydra Insurance Company Limited is a reinsurance company established by the parties to the International Group of P&I Clubs’ Pooling Agreement pursuant to the Bermuda Segregated Accounts Companies Act 2000 as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement.

**Insurance agency agreements**

The Association has entered into insurance agency agreements with Gard AS and its subsidiaries (Gard AS is owned by Gard P. & I. (Bermuda) Ltd) whereby the companies are delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association.

**Note 3. Changes in the contingency reserve**

All amounts are stated in USD 000's

	<b>20.11.12</b>	<b>20.02.12</b>
Contingency reserve carried forward	112,691	116,843
Transfer from contingency reserve	(1,042)	(4,152)
Effect of changed implementation of RBNS	(990)	0
Contingency reserve brought forward	110,659	112,691

19 December 2012

The Board of Directors

**ASSURANCEFORENINGEN GARD -gjensidig-**

Trond Eilertsen  
Chairman

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła  
Deputy Chairman

Michael Say

Claes Isacson  
Managing Director