

## Review of Policy Years – Release Calls

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 summarize,

- The Boards decided to levy a 15 per cent Deferred Call for the 2012 policy year, 10 per cent less than the 25 per cent originally forecast.
- As at 20 February 2013 the consolidated contingency reserves of the Associations, which provide security and stability for the joint Membership, stood at USD 895 million (USD 826 million last year) based on a 15 per cent Deferred Call for the 2012 policy year.
- No further Deferred Calls or Supplementary Calls are expected for the 2010 and 2011 policy years.
- Release Calls shall hereafter be a percentage of the ETC premium for the relevant entry in the relevant year and separated from forecast Deferred Calls.

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. No Release Calls are payable in respect of closed years.

### Open years

#### *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.

During the last 12 months the value of reported liabilities allocated to the 2010 policy year has developed favourably and improved the technical result. The year has produced a substantial contribution to the Associations' contingency reserves.

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 Nil.

#### *The 2011 policy year*

In May 2012 it was decided to levy a Deferred Call of 20 per cent, 5 per cent less than budgeted.

The value of reported claims for the policy year 2011 was 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. The technical result for the year at this stage is still negative and the year is expected to result in a small deficit.

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 2014.

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

#### *The 2012 policy year*

The nominal value of reported claims for the 2012 policy year was about 28 per cent above comparable figures for the 2011 policy year 12 months from inception. The policy year is expected to end with a deficit even before reduction in the Deferred Call and even if the non-technical surplus, including a dividend from Gard Marine & Energy Limited, is accounted for.

However, against the background of the Associations' strong financial position the Boards of Directors have decided that a Deferred Call of only 15 per cent (against 25 per cent as budgeted) shall be levied to fall due for payment on 2 September 2013.

The 2012 policy year can at the earliest be closed in October 2015.

The Release Call for the year was set at 15 per cent of the ETC premium.

#### *The 2013 policy year*

The Boards of Directors confirmed that the Release Call for the year should be set at 20 per cent of the ETC premium for the year.

### **Release Calls**

Following the European Commission's decision last year to close its investigations into the International Group of P&I Clubs' claims' sharing and reinsurance arrangements, it has been agreed that all Clubs, at least annually, shall publish a statement of their Release Call percentages, including factors taken into account in setting them by reference to actual assessment of risks.

Against this background the Boards of Directors decided that the following procedures shall be followed and factors taken into account when determining the Release Call percentages and collecting Release Calls and forecast Deferred Calls from Members when an entry is terminated or shall cease. These special procedures for determination and payment of Release Calls and Deferred Calls as set out below shall enter into force with effect from 27 May 2013 when they were adopted by the Boards of Directors.

#### *Risk factors*

The following factors have been taken into account by the Boards of Directors when the Release Call percentages have been determined:

- The risk that the published levels of expected premiums may be exceeded assessed on the basis of the Associations' methodology for calculating the capital required, taking into account premium risk, reserve risk, market risk, and other significant risk categories.
- The wish to maintain a set structure for reducing the Release Call percentage per policy year under normal circumstances.

### *Payment procedures*

The following procedures and terms have been determined by the Boards of Directors for the payment of Release Calls and Deferred Call when an entry is terminated or shall cease.

- The Release Call percentage shall be separated from the Deferred Call for the relevant policy year and calculated as a percentage of the Estimated Total Call premium for the relevant entry (ETC premium) for the relevant year.
- Forecast Deferred Call for the relevant entry for the relevant policy year which has not yet been levied, shall be paid on demand in addition to the Release Call when an entry is terminated or shall cease.
- When the actual Deferred Called has been decided levied by the Board of Directors but not yet been paid by the Member, it is the actual Deferred Call, as determined by the Board of Directors, that shall be paid in addition to the Release Call when an entry is terminated or has ceased.

### **Summary**

To summarize, the following decisions were taken:

- (i) The 2010 policy year: No further Deferred Calls or Supplementary Calls will be made for this policy year.
- (ii) The 2011 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year.
- (iii) The 2012 policy year: A Deferred Call of 15 per cent has been ordered for this policy year for payment on 2 September 2013.
- (iv) Release Calls:
  - 2009 and prior policy years: Nil
  - 2010 policy year: Nil
  - 2011 policy year: 5 per cent of ETC premium.
  - 2012 policy year: 15 per cent of ETC premium
  - 2013 policy year: 20 per cent of ETC premium.

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

Yours faithfully,  
**GARD AS**



Claes Isacson  
Chief Executive Officer