

Review of policy years, premium rating for the 2014 policy year, and half year status report as at 20 August, 2013

Dear Sirs,

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 2013 (20 August 2013) is 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 2013 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 909 million (USD 895 million as at 20 February, 2013).
- Policy year 2010 is closed with no further calls being levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2011 and 2012 policy years.
- A general increase of 5 per cent in the Advance Calls for mutual P&I entries and 10 per cent for mutual FD&D entries for the 2014 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 2010 policy year have progressed as projected.

2010 policy year closed

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 the Boards have decided to close the 2010 policy year 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

Open policy years

The 2011 policy year

A 20 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2012. The year has had a negative development over the last six months. Even if the year is estimated to produce a deficit, 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

A 15 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2013. Even if the year is estimated to produce a loss, the year is expected to be closed in October 2015 without any further calls being levied due to the Associations' overall strong financial position.

The 2013 policy year

During the first six months of the 2013 policy year, there has been a decrease in the value of reported claims compared to the 2012 policy year 12 months ago while the number of claims has increased. Members should continue to budget with the full Deferred Call of 25 per cent being levied for the 2013 policy year.

Release Calls

The Release Calls are calculated as a percentage of the Estimated Total Call premium 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 2011 policy year:	5 per cent
For the 2012 policy year:	5 per cent
For the 2013 policy year:	20 per cent
For the 2014 policy year:	20 per cent

Premium policy for the 2014 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 2014 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 rather than as a general premium increase across the board for all entries. The combined ratio net 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 combined ratio net for Gard P&I Mutual, fixed premium business included, of 105 per cent for the 2014 policy year have to be made. To achieve this target general increases in the Advance Calls for mutual P&I entries of 5 per cent and for mutual FD&D entries of 10 per cent are 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 1000 with effect for the 2014 policy year. Deductibles below the current standard deductibles will be increased with USD 2000 or up to standard deductibles whichever the lowest.

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 2014 policy year. Further details about the International Group and the Associations' reinsurances for the 2014 policy year will be published later.

Half year status report as at 20 August, 2013

Tonnage (P&I mutual)

Total tonnage entered on behalf of owners as at 20 August, 2013 amounted to 180.6 million GT of which mutual P&I represented 164 million GT and mobile offshore units entered on the basis of fixed premium and reinsured outside the International Group structure amounted to 16.6 million GT. Comparable figures as at 20 February 2013 were 158.7 million GT and 15.7 million GT, respectively.

Key figures from the consolidated accounts

Total assets have increased to USD 2,899 million from USD 2,531 million at the end of last year. On a consolidated basis, the general contingency reserve is up to USD 909 million from USD 895 million at the end of last year.

The consolidated technical result across all business areas is a profit of USD 21 million resulting in a combined ratio net of 94 per cent. The combined non-technical result is a profit of USD 2 million. The overall result during the first half year of 2013 is a surplus of USD 18 million after tax.

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

Yours faithfully,
GARD AS

A handwritten signature in blue ink that reads 'Svein Buvik'.

Svein Buvik
Acting Chief Executive Officer