

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 2013 policy year, 10 per cent less than the 25 per cent originally forecast.
- As at 20 February, 2014 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 944 million (USD 895 million last year) based on a 15 per cent Deferred Call for the 2013 policy year.
- No further Deferred Calls or Supplementary Calls are expected for the 2011 and 2012 policy years.

More detailed information will be provided in the Directors' Report and Financial Statements for the Gard Group to be published on www.gard.no.

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 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 2011 policy year has improved over the last twelve months but the technical result is still negative. The year is, however, expected to result in a surplus and to contribute to the contingency reserve due to healthy investment income.

No further Deferred Calls or Supplementary Calls are expected to be levied for this policy year. The year is expected to be closed in October 2014.

The Release Call for the year was set at Nil.

The 2012 policy year

In May 2013 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 2012 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, however, still negative and the year is expected to result in a deficit.

Against the background of the Associations' strong financial position 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 2015.

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

The 2013 policy year

Based on liabilities reported so far the policy year is expected to result in a technical deficit but to end with a surplus after allocation of investment income. This includes a dividend from Gard Marine & Energy Limited.

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 1 September 2014.

The 2013 policy year can at the earliest be closed in October 2016.

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

The 2014 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 Call

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.

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 Call and Deferred Call when an entry is terminated or shall cease.

Gard AS, P.O. Box 789 Stoa, NO-4809 Arendal, Norway Tel: +47 37 01 91 00, Fax: +47 37 02 48 10,
Outside office hours: +47 90 52 41 00

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

- 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 Call 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 2011 policy year: No further Deferred Calls or Supplementary Calls will be made for this policy year.
- (ii) The 2012 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year.
- (iii) The 2013 policy year: A Deferred Call of 15 per cent has been ordered for this policy year for payment on 1 September 2014.
- (iv) Release Calls (as a percentage of the ETC premium for the relevant Ship):
 - 2010 and prior policy years: Nil
 - 2011 policy year: Nil
 - 2012 policy year: 5 per cent of ETC premium.
 - 2013 policy year: 15 per cent of ETC premium
 - 2014 policy year: 20 per cent of ETC premium.

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

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer