

ASSURANCEFORENINGEN GARD -gjensidig- Income Statement

Amounts in USD 000's

	21.05.14 to 20.08.14	21.05.13 to 20.08.13	21.02.14 to 20.08.14	21.02.13 to 20.08.13
Technical account				
Gross written premium	1,533	19,587	119,297	94,992
Estimated deferred call	4,014	4,830	12,233	9,558
Ceded reinsurance	6,639	9,872	(54,107)	(38,140)
Change in gross premium reserve	21,928	(6,568)	(69,333)	(45,215)
Change in RI premium reserve	(18,386)	(8,009)	26,452	16,752
Earned premium for own account	15,728	19,712	34,542	37,947
Gross settled claims	(40)	45,221	42,062	73,942
Reinsurers' share of gross settled claims	12,638	(32,435)	(5,854)	(48,031)
Change in gross claims reserve	(12,064)	26,223	(27,657)	14,164
Reinsurers' share of change in claims reserve	5,439	(15,059)	16,516	(3,370)
Claims incurred for own account	5,973	23,949	25,066	36,704
Acquisition costs	(375)	1,540	2,444	3,430
Agent commission	1,770	1,600	4,206	3,224
Commission earned	(1,233)	(1,472)	(3,062)	(2,855)
Insurance related expenses for own account	162	1,669	3,588	3,799
Other insurance related expenses	2,601	826	3,112	1,774
Technical result before change in contingency reserve	6,992	(6,733)	2,776	(4,331)
Change in the contingency reserve	(5,348)	7,556	(590)	(56)
Technical result	1,644	823	2,186	(4,387)
Non-technical account				
Investment income	1,179	4,637	3,426	5,373
Change in unrealized gain of investments	(2,898)	(3,573)	(8,181)	(612)
Gain/loss on realization of investments	572	(639)	4,685	606
Investment management expenses	(145)	(1,210)	(1,724)	(881)
Non-technical result	(1,292)	(785)	(1,794)	4,487
Profit before tax	352	38	393	100
Taxation	(352)	(38)	(393)	(100)
Net result	0	0	0	0

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

	As at 20.08.14	As at 20.02.14
ASSETS		
Investments		
<i>Financial investments at fair value through profit and loss</i>		
Equities and shares in funds	21,649	33,144
Bonds	198,219	152,685
Financial derivatives	1,089	0
Other financial assets	10,291	11,978
Total investments	231,249	197,807
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	25,893	0
Reinsurers' share of gross claims reserve	213,307	230,221
Total reinsurers' share of technical provisions	239,199	230,221
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	54,223	12,720
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	33,930	35,472
Other receivables	25	
Total receivables	88,178	48,192
Other assets		
Equipment	2,946	2,946
Cash and cash equivalents	13,277	42,743
Other financial assets	2,086	2,086
Total other assets	18,308	47,774
Prepayments and accrued income		
Accrued interest	1,596	1,581
Accrued income and other prepayments	4,035	551
Total prepayments and accrued income	5,630	2,132
TOTAL ASSETS	582,564	526,126

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

	As at 20.08.14	As at 20.02.14
LIABILITIES		
Technical provisions		
Gross premium reserve	69,411	0
Gross claims reserve	346,468	374,125
Total technical provisions	415,879	374,125
Contingency reserve		
Contingency reserve	128,961	128,961
Total contingency reserve	128,961	128,961
Provision for other liabilities		
Pension obligations	3,053	2,606
Tax related liabilities	308	0
Total provisions for other liabilities	3,361	2,606
Payables		
Payables arising out of direct insurance operations	3,639	1,187
Payables arising out of reinsurance operations	17,043	3,207
Financial derivatives liabilities	324	349
Other payables	13,217	14,683
Total payables	34,223	19,426
Accruals and deferred income		
Accruals and deferred income	140	1,008
Total accruals and deferred income	140	1,008
Total liabilities	582,564	526,126
TOTAL EQUITY AND LIABILITIES	582,564	526,126

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

(All amounts are stated in USD 000's)

	21.02.14 to 20.08.14	21.02.13 to 20.08.13
Cash flow from operating activities		
Profit from ordinary operations before tax	393	100
Income tax expense	(393)	(100)
Change in unrealised gain/loss of investments	(8,181)	(612)
Change in pension obligation	447	(432)
Change in receivables and creditors	(24,881)	(7,914)
Change in technical provisions and other accruals	28,410	30,200
Net cash flow from operating activities	A (4,205)	21,243
Cash flow from investment activities		
Purchase of fixed assets	(0)	22
Purchase/sale of other investment	(25,261)	2,424
Net cash flow from investment activities	B (25,261)	2,446
Net change in cash and cash equivalents	A+B (29,465)	23,689
Cash and cash equivalents at opening balance	42,743	9,258
Cash and cash equivalents at closing balance	13,277	32,947

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 20.02.2014.

The accounts as at 20.08.2014 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

	20.08.14	20.02.14
Contingency reserve carried forward	128,961	111,949
Transfer from contingency reserve	590	17,012
Implementation of IAS 19	(590)	
Contingency reserve brought forward	128,961	128,961

25 September 2014

The Board of Directors

ASSURANCEFORENINGEN GARD -gjensidig-

Trond Eilertsen

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła
Deputy Chairman

Rolf Thore Roppestad
Managing Director