

## Review of policy years, premium rating for the 2015 policy year, and half year status report as at 20 August, 2014

Dear Sirs,

### Summary

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 2014 (20 August, 2014) remains strong. Key accounting and performance figures<sup>1</sup> 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, 2014 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 1,047 million (USD 944 million as at 20 February, 2014).
- Policy year 2011 is closed with no further calls being levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2012 and 2013 policy years.
- A general increase of 2.5 per cent in the Advance Calls for mutual P&I entries and 10 per cent for FD&D entries for the 2015 policy year.

When discussing the policy years below, the term ‘Supplementary Call’ is used only for a call exceeding the forecast ‘Deferred Call’ for the year.

### Review of policy years

#### Closed years

Closed years up to and including the 2011 policy year have progressed as projected.

#### The 2011 policy year is closed

A 20 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2012. The year is estimated to produce a substantial profit and the Boards have decided to close the 2011 policy year without any further calls being levied.

#### Open policy years

##### *The 2012 policy year*

A 15 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2013. The year has had a negative development over the last six months. Even

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<sup>1</sup> The term “consolidated” means the consolidated accounts for Gard P. & I. (Bermuda) Ltd, Assuranceforeningen Gard – gjensidig, and their subsidiaries.

if the year is estimated to produce a deficit, 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*

A 15 per cent Deferred Call, a reduction from 25 per cent forecasted, was levied in September 2014. The year is estimated to produce a substantial profit and is expected to be closed in October 2016 without any further calls being levied due to the Associations' overall strong financial position.

#### *The 2014 policy year*

During the first six months of the 2014 policy year, there has been an increase in the value and number of reported claims compared to the 2013 policy year 12 months ago. Members should continue to budget with the full Deferred Call of 25 per cent being levied for the 2014 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 2012 policy year:	5 per cent
For the 2013 policy year:	5 per cent
For the 2014 policy year:	20 per cent
For the 2015 policy year:	20 per cent

### **Premium policy for the 2015 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 also for the 2015 policy year, as for the current year, that 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 have to be made to result in a forecast combined ratio net of 105 per cent for Gard P&I, fixed premium business included, for the 2015 policy year. To achieve this target, general increases are required in the Advance Calls for mutual P&I entries of 2.5 per cent and for FD&D entries of 10 per cent. The Deferred Call for all mutual entries was set at 25 per cent of the Advance Call.

For the 2015 policy year, the deductibles below the standard deductibles for P&I risks as set out in the Rules for Ships, Appendix V, paragraph 2, should be increased with USD 1000 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 2015 policy year. Further details about the International Group and the Associations' reinsurances for the 2015 policy year will be published later.

### Half year status report as at 20 August, 2014

#### *Tonnage (P&I mutual)*

Total tonnage entered on behalf of owners as at 20 August, 2014 amounted to 197 million GT, of which mutual P&I represented 179 million GT and mobile offshore units entered on the basis of fixed premium and reinsured outside the International Group structure, amounted to 18 million GT. Comparable figures as at 20 February, 2014 were 170 million GT and 17 million GT, respectively.

#### *Key figures from the consolidated accounts*

Total assets have increased to USD 3,216 million from USD 2,722 million at the end of last year. On a consolidated basis, the general contingency reserve is up to USD 1,047 million from USD 944 million at the end of last year.

The consolidated result during the first half year of 2014 was a surplus of USD 129 million after tax. The technical result across all business areas was USD 90 million with a combined ratio net of 78 per cent, while the non-technical result was USD 45 million.

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If you have any questions, please contact Bjørnar Andresen, Chief Underwriting Officer.

Yours faithfully,  
**GARD AS**



Rolf Thore Roppestad  
Chief Executive Officer