

Review of policy years, premium rating for the 2016 policy year, and half year status report as at 20 August 2015

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 2015 (20 August, 2015), remains 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, 2015 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 1,015 million (USD 969 million as at 20 February, 2015).
- Policy year 2012 is closed with no further calls being levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2013 and 2014 policy years.
- A general increase of 2.5 per cent in the Advance Call for mutual P&I and FD&D entries for the 2016 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

The estimated surplus for all closed years has improved, due in part to a positive development in claims for policy years 2006, 2008 and 2011.

The 2012 policy year is closed

A 15 per cent Deferred Call, a reduction from the 25 per cent forecasted, was levied in September 2013. The year has had a small improvement over the last six months. The Associations’ Boards of Directors have decided to close the 2012 policy year without any further calls being levied.

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

Open policy years

The 2013 policy year

A 15 per cent Deferred Call, a 10 percentage points' reduction from 25 per cent forecasted, was levied in September 2014. The year has had a small improvement over the last six months and is expected to be closed in October 2016 without any further calls being levied.

The 2014 policy year

A 15 per cent Deferred Call, which is also a 10 per cent reduction from 25 per cent forecasted, was levied in September 2015. The result for the 2014 policy year has improved over the last six months and is estimated to end with a surplus. The year is expected to be closed in October 2017 without any further calls being levied.

The 2015 policy year

During the first six months of the 2015 policy year, there has been a 22 per cent increase in claims incurred compared to the same period for the 2014 policy year. This year there have been five new claims above USD 2 million and one of these is in excess of the Association's retention. Members should continue to budget with the full Deferred Call estimate of 25 per cent being levied for the 2015 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 2013 policy year:	5 per cent
For the 2014 policy year:	5 per cent
For the 2015 policy year:	20 per cent
For the 2016 policy year:	20 per cent

Premium policy for the 2016 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 for the 2016 policy year, as for the current year, that the premium policy for mutual 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 have decided that premium adjustments for the 2016 policy year should result in a combined ratio net of approximately 102.5 per cent for P&I Mutual. This corresponds to a general increase of approximately 2.5 per cent in the Advance Call for owners' mutual P&I and 2.5 per cent for mutual FD&D. The Deferred Call for the 2016 policy year was set at 25 per cent of the Advance Call.

The Boards have also decided that for the 2016 policy year, that each of the standard deductibles for P&I risks as set out in the Rules for Ships, Appendix V, paragraph 2, shall remain unchanged and that deductibles for P&I risks below standard deductible in general shall be increased with USD 1000.

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 2016 policy year. Further details about the International Group and the Associations' reinsurances for the 2016 policy year will be published later.

Half year status report as at 20 August, 2015

Tonnage (P&I mutual)

Total tonnage entered on behalf of owners as at 20 August, 2015 amounted to 211.4 million GT, of which mutual P&I represented 193.3 million GT and mobile offshore units entered on the basis of fixed premium and reinsured outside the International Group structure, amounted to 18.1 million GT. Comparable figures as at 20 February, 2015 were 188.7 million GT and 18.0 million GT, respectively.

Key figures from the consolidated accounts

Total assets have increased to USD 3,271 million from USD 2,747 million at the end of last year. On a consolidated basis, the general contingency reserve is up to USD 1,015 million from USD 969 million at the end of last year.

The consolidated accounts for the first half of 2015 show a profit of USD 46 million. The consolidated technical result across all business areas is a profit of USD 61 million with a combined ratio net of 84 per cent, while the combined non-technical result was a deficit of USD 9 million.

If you have any questions, please contact [Bjørnar Andresen](#), Group Chief Underwriting Officer.

Yours faithfully,
GARD AS



Rolf Tore Koppestad
Chief Executive Officer