

# Assuranceforeningen Gard - gjensidig -

## Income statement

Amounts in USD 000's	Q3		YTD	
	Current year 21.08 - 20.11.15	Previous year 21.08 - 20.11.14	Current year 21.02 - 20.11.15	Previous year 21.02 - 20.11.14
<b>Technical account</b>				
Gross written premium	836	4,029	171,224	135,559
Ceded reinsurance	(2,381)	(5,690)	(76,917)	(59,797)
Change in gross premium reserve	43,118	34,079	(42,400)	(35,254)
Change in RI premium reserve	(18,574)	(10,992)	18,911	15,460
<b>Earned premium for own account</b>	<b>22,999</b>	<b>21,426</b>	<b>70,818</b>	<b>55,968</b>
Gross settled claims	47,554	25,356	97,931	67,418
Reinsurers' share of gross settled claims	(27,427)	(9,852)	(45,527)	(15,706)
Change in gross claims reserve	96,709	(3,579)	183,809	(31,236)
Reinsurers' share of change in claims reserve	(90,212)	1,159	(162,476)	17,675
<b>Claims incurred for own account</b>	<b>26,624</b>	<b>13,085</b>	<b>73,737</b>	<b>38,151</b>
Acquisition costs	1,069	720	3,362	3,164
Agents' commission	2,405	3,069	6,882	7,275
Commission received	(2,144)	(3,239)	(6,348)	(6,301)
<b>Insurance related expenses for own account</b>	<b>1,329</b>	<b>550</b>	<b>3,895</b>	<b>4,138</b>
<b>Other insurance related expenses</b>	<b>580</b>	<b>(1,415)</b>	<b>1,821</b>	<b>1,697</b>
<b>Technical result before change in contingency reserve</b>	<b>(5,534)</b>	<b>9,206</b>	<b>(8,635)</b>	<b>11,982</b>
Change in contingency reserve	(6,894)	8,367	(11,697)	8,957
<b>Technical result</b>	<b>1,361</b>	<b>839</b>	<b>3,063</b>	<b>3,025</b>
<b>Non-technical account</b>				
Interest and similar income	371	56	3,451	3,482
Change in unrealised gain/loss on investments	(1,863)	(151)	(7,953)	(8,332)
Gain/loss on realisation of investments	167	(806)	1,384	3,879
Investment management expenses	20	1,307	641	(417)
<b>Non-technical result</b>	<b>(1,305)</b>	<b>406</b>	<b>(2,477)</b>	<b>(1,388)</b>
<b>Profit before tax</b>	<b>55</b>	<b>1,244</b>	<b>585</b>	<b>1,637</b>
Taxation	77	1,145	607	1,538
<b>Net result</b>	<b>(22)</b>	<b>99</b>	<b>(22)</b>	<b>99</b>
<b>Other comprehensive income/cost</b>				
Remeasurement due to change in pension assumptions	22	(99)	22	(99)
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>

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## Balance sheet

Amounts in USD 000's	As at 20.11.15	As at 20.02.15
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	30,551	31,447
Bonds	187,884	168,976
Financial derivative assets	865	2,487
Other financial investments	24,453	8,767
<b>Total investments</b>	<b>243,753</b>	<b>211,677</b>
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<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	18,911	0
Reinsurers' share of gross claims reserve	361,333	198,857
<b>Total reinsurers' share of technical provisions</b>	<b>380,243</b>	<b>198,857</b>
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<b>Receivables</b>		
Policyholders	35,493	14,266
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	1,456	0
Receivables from subsidiaries	1,109	6,092
Other receivables	42	11
<b>Total receivables</b>	<b>38,100</b>	<b>20,369</b>
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<b>Other assets</b>		
Equipment	2,201	2,201
Cash and cash equivalents	45,288	23,342
Other financial assets	1,633	1,696
<b>Total other assets</b>	<b>49,121</b>	<b>27,239</b>
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<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	3,311	1,210
<b>Total prepayments and accrued income</b>	<b>3,311</b>	<b>1,210</b>
<b>Total assets</b>	<b>714,528</b>	<b>459,351</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.11.15	As at 20.02.15
<b>Equity and liabilities</b>		
<b>Technical provisions</b>		
Gross premium reserve	42,400	0
Gross claims reserve	507,437	323,628
<b>Total technical provisions</b>	<b>549,837</b>	<b>323,628</b>
<b>Contingency reserve</b>		
Contingency reserve	104,987	116,685
<b>Total contingency reserve</b>	<b>104,987</b>	<b>116,685</b>
<b>Provision for other liabilities</b>		
Pension obligations	2,875	3,050
<b>Total provisions for other liabilities</b>	<b>2,875</b>	<b>3,050</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	2,457	1,300
Payables arising out of reinsurance operations	12,124	3,083
Payables group companies	267	2,023
Financial derivative liabilities	810	439
Other payables	37,793	8,661
<b>Total payables</b>	<b>53,451</b>	<b>15,506</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	3,378	482
<b>Total accruals and deferred income</b>	<b>3,378</b>	<b>482</b>
<b>Total liabilities</b>	<b>714,528</b>	<b>459,351</b>
<b>Total equity and liabilities</b>	<b>714,528</b>	<b>459,351</b>

# Assuranceforeningen Gard - gjensidig -

## Cash flow analysis

Amounts in USD 000's	21.02.15 to 20.11.15	21.02.14 to 20.11.14
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	(11,090)	1,637
Tax paid	(607)	(1,538)
Change in unrealised gain/loss on investments	7,953	(1,863)
Change in pension obligation	(175)	801
Change in receivables and payables	20,214	(1,538)
Change in technical provisions and other accruals	45,680	12,204
Purchase/sale of other investments	(40,029)	(26,988)
<b>Net cash flow from operating activities</b>	<b>21,946</b>	<b>(17,285)</b>
<b>Cash flow from investment activities</b>		
Disposal of equipment		
Investment in equipment	0	0
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>21,946</b>	<b>(17,285)</b>
Cash and cash equivalents at beginning of year	23,342	42,743
<b>Cash and cash equivalents at end of year</b>	<b>45,288</b>	<b>25,458</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 1. Accounting Policies

#### Corporate information

Assuranceforeningen Gard –gjensidig- is a mutual insurance association registered with the Norwegian Companies Register (organisation number 939 717 609).

The registered office of the Association is Kittelsbuktheien 31, 4836 Arendal.

The Association is licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. As a mutual insurance association the Association is owned by its Members being the owners and charterers of the ships from time to time insured by the Association for Protection and indemnity (P&I) risks. There are no external capital owners.

The principal activity of the Association are; 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, and management of assets covering the technical provisions.

The Members of the Association are also Members of Gard P. & I. (Bermuda) Ltd. and vice versa.

Assuranceforeningen Gard - gjensidig- is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Ltd in Bermuda.

#### Basis of preparation of the Accounts

The quarterly accounts include the activity from 21 February 2015 to 20 November 2015.

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, except for the departures from these regulations listed below.

The Association fulfils the exemption criteria in paragraphs 1-5 and 1-6 of Regulations for annual accounts for insurance companies which require limited use of international Financial Reporting Standards (IFRS). Paragraph 7-3 of the Regulations for annual accounts for insurance companies which allows late adoption of IFRS 13 and certain paragraphs in IFRS 7 have been applied.

#### *Departures from regulations for annual accounts for insurance companies:*

1. A part of the financial income is not allocated to the technical result

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway (FSA) the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.11.2015 has not been audited.

#### Use of accounting estimates when preparing the accounts

The preparation of the accounts requires management to make estimates and assumptions that affect 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.

Standard actuarial methods are used in estimating the total cost of outstanding claims.

The actuarial method uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 2. Related party transactions

#### Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 per cent of Gard P. & I. (Bermuda Ltd.) risks that is not reinsured elsewhere (15 per cent for policy years up to and including 2009).

The Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere (85 per cent for policy years up to and including 2009).

The Association has entered into a stop loss reinsurance agreement protecting the former against and 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 Hydra, which is a segregated accounts company. The Association's segregated account (cell) in Hydra is covering the former company's liability to a layer of the International Group (IG) Pool and retention in the first market excess layer.

#### Insurance agency agreements

The Association has entered into an insurance agency agreements with Gard AS, a company owned by Gard P. & I. (Bermuda) Ltd. being the general agent, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association. The Association has entered into agreements with the subsidiaries of Gard AS for services rendered to the Association.

### Note 3. Changes in the contingency reserve

All amounts are stated in USD 000's

	<b>20.11.15</b>	<b>20.02.15</b>
Contingency reserve opening balance	116,685	128,380
Transfer from contingency reserve	<u>(11,697)</u>	<u>(11,695)</u>
Contingency reserve closing balance	<u>104,987</u>	<u>116,685</u>

The Board of Directors  
**ASSURANCEFORENINGEN GARD -gjensidig-**

22 January 2016

Trond Eilertsen  
Chariman

Tadeusz Niszczoła  
Deputy Chairman

Jane Sy

Morten W. Høegh

Ian Beveridge

Rolf Thore Roppestad  
Managing Director