

Assuranceforeningen Gard - gjensidig -

Statement of comprehensive income

Amounts in USD 000's	Q3		YTD 20.11	
	Current year 21.08 - 20.11.16	Previous year 21.08 - 20.11.15	Current year 21.02 - 20.11.16	Previous year 21.02 - 20.11.15
Technical account				
Gross written premium	3,274	836	194,649	171,224
Ceded reinsurance	(444)	(2,381)	(87,973)	(76,917)
Change in gross premium reserve	47,196	43,118	(47,702)	(42,400)
Change in RI premium reserve	(21,436)	(18,574)	22,145	18,911
Earned premium for own account	28,589	22,999	81,120	70,818
Other insurance related income	49	62	86	62
Gross settled claims	53,180	47,554	116,523	97,931
Reinsurers' share of gross settled claims	(35,103)	(27,427)	(68,932)	(45,527)
Change in gross claims reserve	(94,219)	96,709	(87,672)	183,809
Reinsurers' share of change in claims reserve	86,827	(90,212)	94,388	(162,476)
Claims incurred for own account	10,685	26,624	54,306	73,737
Acquisition costs	2,275	1,069	5,305	3,362
Agents' commission	2,632	2,405	7,333	6,882
Commission received	(2,623)	(2,144)	(7,464)	(6,348)
Insurance related expenses for own account	2,284	1,330	5,174	3,896
Other insurance related expenses	480	580	884	1,821
Technical result	15,189	(5,473)	20,842	(8,574)
Non-technical account				
Interest and similar income (cost)	384	309	2,757	3,389
Change in unrealised gain on investments	(3,708)	(1,863)	4,893	(7,953)
Gain/(loss) on realisation of investments	(582)	167	(1,604)	1,384
Investment management expenses	(171)	20	(426)	641
Non-technical result	(4,077)	(1,367)	5,620	(2,539)
Profit before tax	11,112	(6,840)	26,462	(11,113)
Taxation	2	77	(311)	607
Net result	11,110	(6,917)	26,773	(11,720)
Other comprehensive income/(loss)				
Remeasurement due to change in pension assumptions	-	22	0	22
Total comprehensive income/(loss)	11,110	(6,895)	26,773	(11,698)

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Balance sheet

Amounts in USD 000's	As at 20.11.16	As at 20.02.16
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	36,185	27,255
Bonds	189,554	188,003
Financial derivative assets	3,101	1,333
Other financial investments	25,683	11,682
Total investments	254,523	228,272
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Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	22,145	0
Reinsurers' share of gross claims reserve	301,018	395,405
Total reinsurers' share of technical provisions	323,163	395,405
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Receivables		
Policyholders	50,021	19,490
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations - group companies	1,783	1
<i>Other receivables</i>		
Other receivables	10	9
Other receivables - group companies	111	1,855
Total receivables	51,925	21,353
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Other assets		
Equipment	2,201	2,201
Cash and cash equivalents	54,188	30,908
Other financial assets	1,926	1,778
Total other assets	58,315	34,887
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Prepayments and accrued income		
Accrued income and other prepayments	3,981	483
Total prepayments and accrued income	3,981	483
Total assets	691,906	680,401

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Balance sheet

Amounts in USD 000's	As at 20.11.16	As at 20.02.16
Equity and liabilities		
Equity		
<i>Retained earnings</i>		
Other equity	128,150	101,376
Total equity	128,150	101,376
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Technical provisions		
Gross premium reserve	47,702	0
Gross claims reserve	455,048	542,721
Total technical provisions	502,749	542,721
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Provision for other liabilities		
Pension obligations	2,305	2,122
Total provisions for other liabilities	2,305	2,122
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Payables		
Payables arising out of direct insurance operations	8,322	2,436
Payables arising out of reinsurance operations	11,968	5,734
Payables group companies arising out of reinsurance operations	1,866	35
Financial derivative liabilities	771	1,549
Other payables	33,284	23,762
Total payables	56,211	33,517
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Accruals and deferred income		
Accruals and deferred income	2,491	666
Total accruals and deferred income	2,491	666
 Total liabilities	 563,757	 579,025
 Total equity and liabilities	 691,906	 680,401

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Cash flow analysis

Amounts in USD 000's	21.02.16 to 20.11.16	21.02.15 to 20.11.15
Cash flow from operating activities		
Profit from ordinary operations before tax	26,462	2,872
Tax paid	311	(638)
Change in unrealised gain/(loss) on investments	2,757	(344)
Change in pension obligation	183	(81)
Change in receivables and payables	(7,877)	(59,957)
Change in technical provisions and other accruals	30,451	77,646
Purchase/sale of other investments	(29,007)	(4,669)
Net cash flow from operating activities	23,280	14,828
Cash flow from investment activities		
Disposal of equipment	0	0
Investment in equipment	0	0
Net cash flow from investment activities	0	0
Net change in cash and cash equivalents	23,280	14,828
Cash and cash equivalents at beginning of year	30,908	23,342
Cash and cash equivalents at end of year	54,188	38,170

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 Kittelsbuktveien 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 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 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 2016 to 20 November 2016.

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance.

The quarterly Accounts have been prepared in accordance with the "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 3-12 of Regulations for annual accounts for insurance companies which require limited use of international Financial Reporting Standards (IFRS).

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 20.11.2016 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.

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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 comny'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 retained earnings

Amounts in USD 000's	As at 20.11.16	As at 20.02.16
Retained earnings opening balance	101,376	116,685
Net result for the period	26,773	(15,308)
Retained earnings closing balance	128,150	101,376

Note 4. Capital requirements

Amounts in USD 000's	As at 20.11.16
Own funds	
Reconciliation reserve	126,598
Net deferred tax assets	
Excess of assets over liabilities	126,598
Tier 1 - Unrestricted	126,598
Total basic own funds / (equal to Excess of assets over liabilities)	126,598
Tier 2 - Supplementary calls	204,598
Total ancillary own funds	204,598

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Notes to the accounts

Note 4. Capital requirements continues

Amounts in USD 000's	As at 20.08.16
Total available own funds to meet the SCR	331,196
Total available own funds to meet the MCR	331,196
Total eligible own funds to meet the SCR	182,847
Total eligible own funds to meet the MCR	132,979
SCR	112,498
MCR	31,906
Ratio of eligible own funds to SCR	163 %
Ratio of eligible own funds to MCR	417 %
Minimum Capital Requirement (MCR)	
Linear MCR	31,906
SCR	112,498
MCR cap (45% of SCR)	50,624
MCR floor (25% of SCR)	28,125
Combined MCR	31,906
Absolute floor of the MCR	4,076
MCR	31,906
Solvency Capital Requirement (SCR)	
Market risk	28,691
Counterparty default risk	19,748
Non-life underwriting risk	74,614
Diversification	(25,035)
Basic SCR	98,018
Calculation of SCR	
Operational risk	14,480
SCR	112,498

The Board of Directors
ASSURANCEFORENINGEN GARD -gjensidig-

20 January 2017

Trond Eilertsen
Chairman

Jane Sy
Deputy-chairman

Yngvil Eriksson Åsheim

Morten W. Høegh

Ian Beveridge