

## Review of policy years Premium rating for the 2018 policy year Half-year status report as at 20 August 2017

Dear Sirs,

### Summary

We are pleased to report that the financial position of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the "Association"), remains strong on a consolidated basis,<sup>1</sup> as of the 20 August 2017. Key accounting and performance figures and decisions by the Boards of Directors are reported with the consent of Lingard Limited, the Manager of Gard P. & I. (Bermuda) Ltd., and can be summarised as follows:

- Consolidated equity, which provides security and stability for the joint membership, stands at USD 1,285 million (USD 1,135 million as at 20 February 2017).
- The surplus for the first half of 2017 was USD 150 million after tax on Estimated Total Call (ETC) basis.
- Policy year 2014 is closed and no further Calls will be levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2015 and 2016 policy years.
- There will be no General Increase in the Estimated Total Calls for mutual P&I and FD&D entries for the 2018 policy year.

If the full year result at 20 February 2018 is in line with the half year result, a reduction in the Deferred Call can be expected for the 2017 policy year.

### Review of policy years

#### Closed years

The estimated surplus for all closed years stood at USD 964 million as at 20 August 2017. This is an increase of USD 10 million from 20 February 2017.

#### Open policy years

The results for the open years 2014 to 2017 are estimated to be USD 237 million as at 20 August 2017. Estimates for these years are subject to possible material changes. Non-technical results for each year include dividend payments from Gard Marine & Energy Limited.

#### *The 2014 policy year closed*

A 15 per cent Deferred Call, a 10 per cent reduction from the 25 per cent forecast, was levied in September 2015. The year has developed positively over the last six months and the Board of Directors resolved to close the 2014 policy year without any further Calls being levied.

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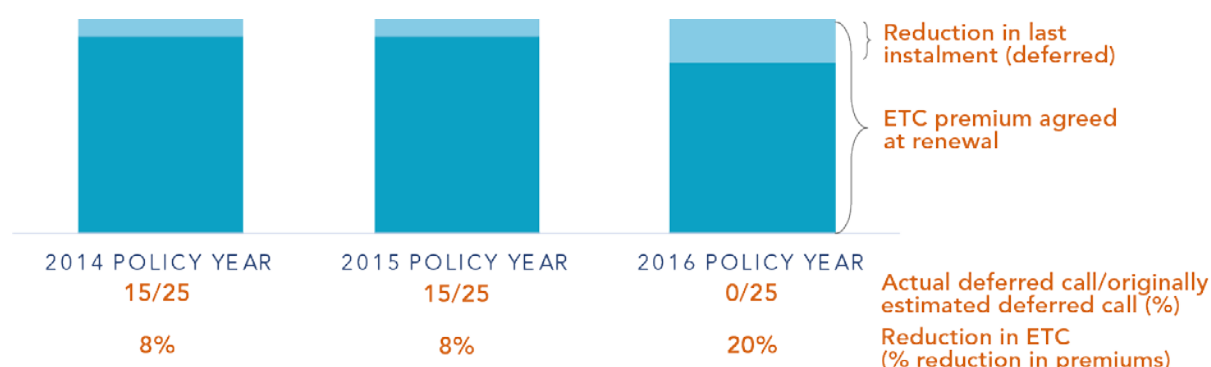
<sup>1</sup> The term "consolidated" means the consolidated accounts of Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard – gjensidig, and their subsidiaries.

### *The 2015 policy year*

A 15 per cent Deferred Call, 10 per cent less than forecast, was levied in September 2016. Although the technical result is negative, the total result for the year is positive. The year is expected to be closed in October 2018 without any further Calls being levied.

### *The 2016 policy year*

No Deferred Call was levied in respect of the 2016 policy year compared to a forecast of 25 per cent. The estimated result for the 2016 policy year has improved over the last six months. The year is expected to end with a surplus and to be closed in October 2019 without any further Calls being levied.



### *The 2017 policy year*

During the first six months of the 2017 policy year, there has been a decrease both in volume and number of claims reported compared to the same period for the 2016 policy year.

The Board confirmed that the Deferred Call for the 2017 policy year for the time being should remain at 25 per cent but emphasised that the Deferred Call mechanism allows the Association to refrain from levying the full premium if the year performed better than expected. The Board emphasised that a full year result in line with the results as at 20 August 2017 would justify a reduction in the Deferred Call. A decision will be made in the Board meeting in May 2018 when the full year result is adopted.

### **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 Board resolved that, based on the current forecasts and in line with the practice for setting Release Calls, the Release Calls for open policy years shall be set as follows:

- For the 2015 policy year: 5 per cent
- For the 2016 policy year: 5 per cent
- For the 2017 policy year: 20 per cent
- For the 2018 policy year: 20 per cent

### **Premium policy and deductibles for the 2018 policy year**

For the 2018 policy year, as for the current year, the Board decided that the premium policy for owners mutual P&I business should be a technical result target expressed as a combined ratio net ("CRN"), rather than as a general premium adjustment across the board for all entries. The CRN expresses the estimated claims and administration costs for the year, divided by the estimated premiums earned.

Against this background, the Board of Directors decided that the premium adjustments for the 2018 policy year should target a CRN of 102.5 per cent for P&I and FD&D mutual entries. Correspondingly, there will be no general increase in the Estimated Total Call for owners' mutual P&I entries and likewise, no general increase for mutual FD&D entries for the 2018 policy year. The Deferred Call for the 2018 policy year was set at 25 per cent of the Advance Call.

Members claims performance relative to premium levels and future risk will determine any adjustments in premium. The accumulated premium adjustment across the membership at the 2018 renewal is expected to be representing a decrease in the average total premium.

### **Deductibles**

The Board has resolved that the standard deductibles for P&I risks for the 2018 policy year shall remain unchanged from 2017.

### **Half-year status report as at 20 August 2017**

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

Total tonnage entered on behalf of owners on mutual P&I as at 20 August 2017 amounts to 203.7 million GT.

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

Total assets have increased to USD 3,463 million from USD 3,049 million at the end of last year. On a consolidated basis, the equity is up to USD 1,285 million from USD 1,135 million at the end of last year.

The consolidated accounts for the first half of 2017 show a surplus of USD 150 million after tax. The consolidated technical results across all business areas show a surplus of USD 71 million with a combined ratio net of 77 per cent, while the combined non-technical result is a positive USD 88 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