

Status report as at 20 August 2019 Review of policy years and Release Calls Premium policy for 2020

The Boards of Directors of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the "Association") have decided that there will be no general increase in the Estimated Total Call for owner's mutual P&I entries and mutual FD&D entries for 2020.

The financial position of the Association remains strong on a consolidated basis, as of 20 August 2019.¹ Mutual P&I has for the first half year ending 20 August 2019 generated a surplus above the target level. This is a continuation of the trend of a solid performance in general which has allowed the Association to refrain from levying the full last premium instalments in recent years.

With regard to premium rating in general, the goal is to have a fair level of Estimated Total Call ("ETC") for individual Members (the level of premium agreed at renewals) in the long term.

Half year result and Contingency Reserves as at 20 August 2019

On an ETC basis, the total comprehensive income is a positive USD 64.7 million with a combined ratio of 96 per cent. The total equity for the Gard group, which provides security and stability for the joint Membership, was USD 1,211 million (compared to USD 1,159 million as at 20 February 2019).

Review of policy years

Closed years

The estimated surplus for all closed years stood at USD 1,029 million (USD 1,032 million as at 20 February 2019). The decrease in the surplus on closed years of USD 3 million is mostly due to increases in the claims estimate for the 2015 policy year.

Open years

The open policy years 2016 to 2019 are estimated to have a surplus of USD 155 million as at 20 August 2019. Estimates for these years are subject to possible material changes.

The 2016 policy year

The Last Instalment for mutual Members has been set at zero in respect of the 2016 policy year. This represents a reduction in the ETC for mutual Members of 20 per cent. The estimated result for the 2016 policy year has improved over the last six months. However, due to the Association's strong financial position, the Board of Directors resolved to close the 2016 policy year without any further calls being levied.

¹ The term "consolidated" means the consolidated accounts of Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard - gjensidig -, and its subsidiaries.

The 2017 policy year

The Last Instalment for mutual Members has been set at zero in respect of the 2017 policy year. This represents a reduction in the ETC for mutual Members of 20 per cent. The estimated result for the 2017 policy year has deteriorated over the last six months. The policy year is expected to generate a surplus and to be closed in November 2020 without any further calls being levied.

The 2018 policy year

The Last Instalment for mutual Members was levied with 10 per cent of ETC in September 2019, which is a reduction of 10 per cent of the ETC in respect of the 2018 policy year. The estimated result for the 2018 policy year has deteriorated over the last six months. The policy year is expected to be closed in November 2021 without any further calls being levied.

The 2019 policy year

During the first six months of the 2019 policy year, there has been a decrease in claims incurred compared to the same period of the 2018 policy year. The number of claims reported is up 2 per cent. As at 20 August 2019, claims incurred for the 2019 policy year are 4 per cent below expectation. The estimated Last Instalment for the policy year is 20 per cent of ETC.

Release Calls

The Release Calls are calculated as a percentage of the ETC premium for the relevant Ship in the relevant open policy year. The Board of Directors 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 2017 policy year:	5 per cent
For the 2018 policy year:	5 per cent
For the 2019 policy year:	10 per cent
<i>For the 2020 policy year:</i>	<i>10 per cent</i>

Premium policy and deductibles for the 2020 policy year

The overall rate level of the portfolio has been assessed and found to be sufficient to meet the claims expected for the 2020 policy year provided there are no major changes in frequency or severity. There may be a need to adjust the premium rate level between segments and for individual Members. To achieve the long-term surplus target and to maintain a technically correct ETC premium level, it is necessary to maintain the current rate level at renewal.

The Last Instalment for the 2020 policy year will remain at 20 per cent of the ETC premium. The Board of Directors will determine whether the Last Instalment shall be levied in whole or in part after the expiry of the policy year to which the Last Instalment relates.

Deductibles

The Board of Directors further resolved 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.

Summary

The following decisions were taken by the Board of Directors:

(i) *Premium policy for the 2020 policy year*

No general increase in the Estimated Total Call for owners' mutual P&I entries and mutual FD&D entries. The Last Instalment for the 2020 policy years shall be set at 20 per cent of the ETC premium.

(ii) *Review of open policy years*

2016 policy year: The last premium instalment was set at zero. The policy year was closed with no further calls being levied.

2017 policy year: The last premium instalment was set at zero. It is expected that the year can be closed in November 2020 with no further calls being levied.

2018 policy year: The last premium instalment was set at 10 per cent of the original Estimated Total Call and levied in September 2019. It is expected that the year can be closed in November 2021 with no further calls being levied.

2019 policy year: The original estimated last premium instalment of 20 per cent of the Estimated Total Call should be maintained and is scheduled to be revised in May 2020.

(iii) *Release calls in respect of open policy years*

Release Calls (as a percentage of the ETC premium for the relevant Ship):

For the 2017 policy year:	5 per cent
For the 2018 policy year:	5 per cent
For the 2019 policy year:	10 per cent
For the 2020 policy year:	10 per cent

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

Yours faithfully,

GARD AS



Rolf Thore Roppestad

Chief Executive Officer