



## **GARD AS**

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### **Circular No. 15/2010**

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### **To the Members**

Dear Sirs,

## **Review of policy years, premium rating for the 2011 policy year, and half year status report as at 20 August 2010**

### **Introduction**

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 2010 (20 August 2010) had strengthened further. Key accounting and performance figures<sup>1</sup> 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 2010 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 744 million (USD 638 million as at 20 February 2010).
- Policy year 2007 is closed with no supplementary calls being levied.
- No further deferred calls or supplementary calls are expected for the 2008 and 2009 policy years.
- No general increase in the advance calls for mutual P&I entries for the 2011 policy year.
- An increase of 10 per cent in the advance calls for mutual FD&D entries for the 2011 policy year.

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

When discussing the policy years below, the term ‘supplementary call’ is only used for a call exceeding the forecast ‘deferred call’ for the year.

## **Review of policy years**

### Closed years

Closed years up to and including the 2007 policy year have progressed as projected.

#### 2007 policy year closed

A 25 per cent deferred call as forecast was levied in September 2008. The year is estimated to produce a surplus and the Boards has now decided to close the 2007 policy year without any further calls being levied.

### Open policy years

#### *The 2008 policy year*

The budgeted 25 per cent deferred call was levied in September 2009. The year is expected to produce a deficit as a result of losses on the investment portfolio. However, due to the Associations overall strong financial position the year is likely to be closed in October 2011 without any supplementary calls being levied.

#### *The 2009 policy year*

A 10 per cent deferred call, 15 per cent less than forecasted, was levied in September 2010. The year is estimated to produce a surplus exceeding the budget for the year. The year is expected to be closed in October 2012 without any further calls being levied.

#### *The 2010 policy year*

During the first six months of the year the Associations have experienced an increase in the value of reported claims. The value of reported claims is slightly above the budget for the year as at 20 August. Members should continue to budget with the full deferred call of 25 per cent being levied for the 2010 policy year.

## **Release calls**

The Board resolved that the release calls for open policy years (including 2011) be set as follows:

For the 2008 policy year:	nil
For the 2009 policy year:	10 per cent
For the 2010 policy year:	50 per cent
For the 2011 policy year:	50 per cent

## **Premium policy for the 2011 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 that also for the 2011 policy year, as for the current year, the premium policy for ordinary P&I business should be a technical result target expressed as a combined ratio net ("CRN") rather than as a general premium increase across the board for all entries. The CRN expresses the estimated claims and administration costs for the year over estimated premiums earned.

Against this background the Boards decided that premium adjustments resulting in a forecast CRN for Gard P&I, fixed premium business included, of 102.5 per cent for the 2011 policy year have to be made. To achieve this target no general increase in the advance calls for owners entered on a mutual basis for P&I risks is required. For mutual FD&D entries a general premium increase of 10 per cent was determined. The deferred call for all mutual entries was set at 25 per cent of the advance call.

The standard deductibles of the Associations will remain unchanged for the 2011 policy year, but deductibles below standard terms will be increased by 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 2011 policy year. Further details about the International Group and the Associations' reinsurances for the 2011 policy year will be published later.

## **Half year status report as at 20 August 2010**

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

Total tonnage entered on behalf of owners on a mutual basis as at 20 August 2010 amounted to 124 million GT. Comparable figures as at 20 February 2010 were 119 million GT.

### *Key figures from the consolidated accounts*

The total balance available to meet outstanding and unreported claims amounted to USD 2,131 million of which the general contingency reserve totalled USD 744 million. Comparable figures as at 20 February 2010 were USD 1,918 million and USD 638 million, respectively.

The technical account showed a surplus of USD 56 million resulting in a CRN of 83 per cent which is better than budget. The non-technical account shows a surplus of USD 51 million resulting in an overall surplus for the six months period to 20 August 2010 of USD 107 million.

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If you have any questions, please contact the Bjørnar Andresen (Senior Vice President) or Rolf Thore Roppestad (Senior Vice President).

Yours faithfully,

**GARD AS**



Claes Isacson  
Chief Executive Officer