

ASSURANCEFORENINGEN GARD -gjensidig- Profit & Loss Account

Amounts in USD 000's

	21.05.12 to 20.08.12	21.05.11 to 20.08.11	21.02.12 to 20.08.12	21.02.11 to 20.08.11
Technical account				
Gross written premium	13,783	23,372	68,516	84,898
Estimated deferred call	3,026	4,541	6,996	9,142
Change in premium for unearned premiums	8,016	4,596	(26,299)	(31,134)
Ceded reinsurance	(4,067)	(5,966)	(34,665)	(39,528)
Reinsurers share of change in provision	(6,890)	(7,036)	13,410	14,212
Net earned premium	13,867	19,507	27,958	37,590
Gross settled claims	68,821	36,101	98,953	82,968
Reinsurers share of gross settled claims	(65,745)	(24,190)	(81,161)	(53,546)
Change in gross claims reserve	(62,531)	(30,816)	(67,300)	(34,055)
Reinsurers share of change in claims reserve	67,195	33,550	82,364	39,714
Net claims cost	7,740	14,645	32,855	35,081
Acquisition costs	1,846	1,484	4,339	3,686
Net operating expenses	467	2,031	1,818	3,517
Technical result before change in contingency reserve	3,813	1,348	(11,054)	(4,694)
Change in the contingency reserve	(8,290)	598	9,528	1,684
Technical result	(4,477)	1,946	(1,526)	(3,011)
Non-technical account				
Investment income	853	2,377	414	4,257
Change in unrealized gain of investments	3,506	(4,723)	840	(2,155)
Loss on realization of investments	250	1,147	930	1,856
Investment management expenses	(109)	(733)	(570)	(931)
Non-technical result	4,499	(1,931)	1,614	3,028
Profit before tax	23	15	88	17
Taxation	(23)	(15)	(88)	(17)
Net result	0	0	0	0

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

	As at 20.08.12	As at 20.02.12
ASSETS		
Investments		
Investments at amortised cost	2,123	3,465
Financial instruments at fair value through profit and loss	182,874	180,181
Total investments	184,997	183,646
Reinsurers share of technical provisions		
Reinsurers share of gross claims reserve	306,747	389,529
Total reinsurers share of technical provisions	306,747	389,529
Receivables		
Receivables from direct insurance operations	28,536	16,139
Receivables from reinsurance operations	0	2,269
Receivables from group companies	29,637	21,549
Other receivables	7,039	2,553
Total receivables	65,213	42,510
Other assets		
Equipment	2,967	2,962
Cash and cash equivalents	34,222	37,191
Total other assets	37,189	40,153
Prepayments and accrued income		
Accrued interest	822	844
Accrued income and other prepayments	299	1,440
Total prepayments and accrued income	1,121	2,284
TOTAL ASSETS	595,266	658,121

ASSURANCEFORENINGEN GARD -gjensidig-
Balance sheet

Amounts in USD 000's

	As at 20.08.12	As at 20.02.12
LIABILITIES		
Technical provisions		
Gross premium reserve	26,167	0
Gross claims reserve	446,880	527,236
Total technical provisions	473,047	527,236
Contingency reserve		
Contingency reserve	102,340	112,691
Total contingency reserve	102,340	112,691
Provision for other liabilities		
Pension obligations	4,154	4,386
Total provisions for other liabilities	4,154	4,386
Creditors		
Creditors arising out of direct insurance operations	277	69
Creditors arising out of reinsurance operations	11,450	6,282
Creditors group companies	188	378
Other creditors	3,507	5,679
Total creditors	15,422	12,408
Accruals and deferred income		
Accruals and deferred income	302	1,400
Total accruals and deferred income	302	1,400
Total liabilities	595,266	658,121
TOTAL EQUITY AND LIABILITIES	595,266	658,121

ASSURANCEFORENINGEN GARD -gjensidig-**Cash flow analysis**

(All amounts are stated in USD 000's)

	21.02.12 to 20.08.12	21.02.11 to 20.08.11
Cash flow from operating activities		
Profit from ordinary operations before tax	88	17
Income tax expense	(88)	(17)
Change in unrealised gain/loss of investments	840	(2,155)
Change in pension obligation	(232)	(294)
Change in receivables and creditors	(19,689)	49,196
Change in technical provisions and other accruals	18,308	17,243
Net cash flow from operating activities	A (772)	63,989
Cash flow from investment activities		
Purchase of fixed assets	(5)	(11)
Purchase/sale of other investment	(2,191)	(74,918)
Net cash flow from investment activities	B (2,196)	(74,929)
Net change in cash and cash equivalents	A+B (2,969)	(10,939)
Cash and cash equivalents at opening balance	37,191	33,359
Cash and cash equivalents at closing balance	34,222	22,420

NOTE 1. Accounting Policies

Corporate information

Assuranceforeningen Gard –gjensidig- is a mutual insurance association.

As a mutual insurance association it is owned by its Members. The registered office of the association is Kittelsbuktveien 31, 4836 Arendal. The association carries out marine liability and legal costs insurances. The principal activity of the association is 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.

Basis of preparation of the Accounts

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, which includes a limited use of IFRS regarding disclosures to the accounts.

The Association has a dispensation from the requirement to allocate investment return to the technical account.

According to a resolution from the Financial Supervisory Authority of Norway the Association can present the accounts in English language and USD, since the functional currency of the Association is USD. The association is exempted from presenting the statutory administrative expense reserve and the contingency reserve separately.

The quarterly accounts are based on the same accounting principles as used in the annual accounts for the year ended 20.02.2012.

The accounts as at 20.08.2012 has not been audited.

Use of accounting estimates when preparing the accounts

The preparation of the accounts requires the Management to make estimates and assumptions that affects 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. Actuarial methods are used in estimating the total cost of outstanding claims.

Note 2. Related party transactions

Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures with effect from 20 February 2010 a proportion amounting to 2 per cent (15 per cent for policy years up to 2009) of Gard P. & I. (Bermuda) Ltd’s Protection and Indemnity risk underwritten that is not reinsured elsewhere. With effect from the same date the Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent (85 per cent for policy years up to 2009) of the Association’s retained Protection and Indemnity risk underwritten that is not reinsured elsewhere.

The Association have entered into a stop loss reinsurance agreement protecting the former against an 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 the Gard Cell of Hydra Insurance Company Ltd (the Gard Cell is owned by Gard P. & I. (Bermuda) Ltd), Hydra Insurance Company Limited is a reinsurance company established by the parties to the International Group of P&I Clubs’ Pooling Agreement pursuant to the Bermuda Segregated Accounts Companies Act 2000 as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement.

Insurance agency agreements

The Association has entered into insurance agency agreements with Gard AS and its subsidiaries (Gard AS is owned by Gard P. & I. (Bermuda) Ltd) whereby the companies are delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association.

Note 3. Changes in the contingency reserve

All amounts are stated in USD 000's

	20.08.12	20.02.12
Contingency reserve carried forward	112,691	116,843
Transfer from contingency reserve	(10,351)	(4,152)
Contingency reserve brought forward	102,340	112,691

27 September 2012

The Board of Directors

ASSURANCEFORENINGEN GARD -gjensidig-

Trond Eilertsen
Chairman

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła
Deputy Chairman

Michael Say

Claes Isacson
Managing Director