

Review of Policy Years – Release Calls

Dear Sirs,

At their recent meetings, your Boards of Directors (the “Boards”) received various reports on matters of importance for the business activities of **Gard P. & I. (Bermuda) Ltd.** and **Assuranceforeningen Gard - gjensidig** (the “Associations”), and were pleased to note that the financial position of the Associations has strengthened further.

To summarize:

- Consolidated surplus of USD 87 million on an Estimated Total Call (ETC) basis and a combined ratio net (CRN) of 88 per cent.
- The Boards decided to levy a 15 per cent Deferred Call for the 2014 policy year, 10 per cent less than the 25 per cent originally forecast, representing a reduction of USD 37 million in the amount of premium actually levied.
- As at 20 February, 2015, the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 969 million (compared to USD 919 million last year) based on a 15 per cent Deferred Call for the 2014 policy year.
- No further Deferred Calls or Supplementary Calls are expected for the 2012 and 2013 policy years.

More detailed information will be provided in the Directors’ Report and Financial Statements for the Gard Group to be published on www.gard.no.

Closed years

Closed policy years are developing as previously forecast. No Release Calls are payable in respect of closed years.

Open years

The 2012 policy year

In May 2013 it was decided to levy a Deferred Call of 15 per cent, which was 10 per cent less than budgeted.

The technical result for the 2012 policy year continues to be negative. Although there was a strong positive non-technical result, when combined with the technical loss it gives a negative contribution to the contingency reserve.

No further Deferred Calls or Supplementary Calls are expected to be levied for this policy year. The year is expected to be closed in October 2015.

The Release Call for the year was set at Nil.

The 2013 policy year

Gard AS, P.O. Box 789 Stoa, NO-4809 Arendal, Norway Tel: +47 37 01 91 00, Fax: +47 37 02 48 10,
Outside office hours: +47 90 52 41 00

For and on behalf of an entity of the Gard Group comprising, inter alia; Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard - gjensidig - and Gard Marine & Energy Limited. Gard AS is registered as an insurance intermediary by the Norwegian Financial Supervisory Authority. Company Code : 982 132 789

In May 2014 it was decided to levy a Deferred Call of 15 per cent, which was 10 per cent less than budgeted.

The 2013 policy year shows positive technical and non-technical results. Although the year has had to be restated due to changes in accounting principles, the strong non-technical result has allowed the year to make a good contribution to the contingency reserve.

Again, no further Deferred Calls or Supplementary Calls are expected to be levied for the 2013 policy year. The year can be closed in October 2016 at the earliest.

The Release Call for the year was set at 5 per cent of the ETC premium for the relevant entry.

The 2014 policy year

Although the Associations received a dividend payment from Gard Marine & Energy Limited, policy year 2014 will have a negative contribution to the contingency reserve after taking into account a reduction in the Deferred Call and the negative effect of remeasurement following changes in the accounting principles. The 2014 policy year can be closed in October 2017 at the earliest.

The Release Call for the year was set at 15 per cent of the ETC premium for the relevant entry.

The 2015 policy year

The Boards confirmed that the Release Call for the 2015 policy year should be set at 20 per cent of the ETC premium for the relevant entry for the year.

Release Calls

The Boards decided that the following procedures shall be followed and factors taken into account when determining the Release Call percentages and collecting Release Calls and forecast Deferred Calls from members when an entry is terminated or shall cease.

Risk factors

The following factors have been taken into account by the Boards of Directors when the Release Call percentages have been determined:

- The risk that the published levels of expected premiums may be exceeded assessed on the basis of the Associations' methodology for calculating the capital required, taking into account premium risk, reserve risk, market risk, and other significant risk categories.
- The wish to maintain a set structure for reducing the Release Call percentage per policy year under normal circumstances.

Payment procedures

The following procedures and terms have been determined by the Boards of Directors for the payment of Release Call and Deferred Call when an entry is terminated or shall cease.

- The Release Call percentage shall be separated from the Deferred Call for the relevant policy year and calculated as a percentage of the Estimated Total Call premium for the relevant entry (ETC premium) for the relevant year.
- Forecast Deferred Call for the relevant entry for the relevant policy year which has not yet been levied, shall be paid on demand in addition to the Release Call when an entry is terminated or shall cease.
- When the actual Deferred Call has been decided levied by the Board of Directors but not yet been paid by the member, it is the actual Deferred Call, as determined by the Board of Directors, that shall be paid in addition to the Release Call when an entry is terminated or has ceased.

Summary

To summarize, the following decisions were taken by the Boards:

- (i) The 2012 policy year: No further Deferred Calls or Supplementary Calls will be made for this policy year, and it is expected to be closed in October 2015.
- (ii) The 2013 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year, and it is expected to be closed in October 2016.
- (iii) The 2014 policy year: A Deferred Call of 15 per cent, down from the original estimate of 25 per cent, has been ordered for this policy year for payment in September 2015. The year is expected to be closed in October 2017.
- (iv) Release Calls (as a percentage of the ETC premium for the relevant Ship):
 - 2012 policy year: Nil
 - 2013 policy year: 5 per cent of ETC premium.
 - 2014 policy year: 15 per cent of ETC premium
 - 2015 policy year: 20 per cent of ETC premium.

If you have any questions, please contact the underwriting department.

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer