

# Assuranceforeningen Gard - gjensidig -

## Statement of comprehensive income

Amounts in USD 000's	Q2		YTD 20.08.	
	Current year 21.05.-21.08.2015	Previous year 21.05.-21.08.2014	Current year 21.02-20.08.16	Previous year 21.02-20.08.15
<b>Technical account</b>				
Gross written premium	1,418	2,760	191,376	170,388
Ceded reinsurance	(498)	(1,704)	(87,529)	(74,536)
Change in gross premium reserve	47,233	40,441	(94,897)	(85,518)
Change in RI premium reserve	(21,765)	(17,347)	43,581	37,485
<b>Earned premium for own account</b>	<b>26,387</b>	<b>24,149</b>	<b>52,531</b>	<b>47,819</b>
<b>Other insurance related income</b>	<b>22</b>	<b>0</b>	<b>38</b>	<b>0</b>
Gross settled claims	41,064	24,231	63,343	50,377
Reinsurers' share of gross settled claims	(24,944)	(6,311)	(33,829)	(18,100)
Change in gross claims reserve	(3,935)	7,479	6,546	87,100
Reinsurers' share of change in claims reserve	12,321	2,183	7,561	(72,264)
<b>Claims incurred for own account</b>	<b>24,506</b>	<b>27,582</b>	<b>43,621</b>	<b>47,113</b>
Acquisition costs	1,465	1,116	3,030	2,293
Agents' commission	2,508	2,088	4,701	4,477
Commission received	(2,456)	(2,087)	(4,841)	(4,204)
<b>Insurance related expenses for own account</b>	<b>1,517</b>	<b>1,117</b>	<b>2,890</b>	<b>2,566</b>
<b>Other insurance related expenses</b>	<b>144</b>	<b>603</b>	<b>405</b>	<b>1,241</b>
<b>Technical result</b>	<b>243</b>	<b>(5,153)</b>	<b>5,653</b>	<b>(3,101)</b>
<b>Non-technical account</b>				
Interest and similar income (cost)	1,429	3,231	2,373	3,080
Change in unrealised gain on investments	3,020	(6,434)	8,601	(6,090)
Gain/(loss) on realisation of investments	90	414	(1,022)	1,217
Investment management expenses	(199)	797	(255)	621
<b>Non-technical result</b>	<b>4,340</b>	<b>(1,992)</b>	<b>9,699</b>	<b>(1,172)</b>
<b>Profit before tax</b>	<b>4,583</b>	<b>(7,145)</b>	<b>15,351</b>	<b>(4,273)</b>
Taxation	100	(108)	(313)	530
<b>Net result</b>	<b>4,483</b>	<b>(7,037)</b>	<b>15,664</b>	<b>(4,803)</b>
<b>Other comprehensive income/(loss)</b>				
Remeasurement due to change in pension assumptions	0	0	0	0
<b>Total comprehensive income/(loss)</b>	<b>4,483</b>	<b>(7,037)</b>	<b>15,664</b>	<b>(4,803)</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.16	As at 20.02.16
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	30,871	27,255
Bonds	190,126	188,003
Financial derivative assets	1,683	1,333
Other financial investments	13,108	11,682
<b>Total investments</b>	<b>235,788</b>	<b>228,272</b>
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<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	43,581	0
Reinsurers' share of gross claims reserve	387,845	395,405
<b>Total reinsurers' share of technical provisions</b>	<b>431,426</b>	<b>395,405</b>
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<b>Receivables</b>		
Policyholders	104,142	19,490
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	2,759	1
Receivables from group companies	726	1,855
Other receivables	11	9
<b>Total receivables</b>	<b>107,638</b>	<b>21,353</b>
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<b>Other assets</b>		
Equipment	2,201	2,201
Cash and cash equivalents	51,737	30,908
Other financial assets	2,375	1,778
<b>Total other assets</b>	<b>56,313</b>	<b>34,887</b>
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<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	5,838	483
<b>Total prepayments and accrued income</b>	<b>5,838</b>	<b>483</b>
<b>Total assets</b>	<b>837,004</b>	<b>680,401</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.16	As at 20.02.16
<b>Equity and liabilities</b>		
<b>Equity</b>		
<i>Retained earnings</i>		
Other equity	117,041	101,376
<b>Total equity</b>	<b>117,041</b>	<b>101,376</b>
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<b>Technical provisions</b>		
Gross premium reserve	94,897	0
Gross claims reserve	549,266	542,721
<b>Total technical provisions</b>	<b>644,164</b>	<b>542,721</b>
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<b>Provision for other liabilities</b>		
Pension obligations	1,883	2,122
<b>Total provisions for other liabilities</b>	<b>1,883</b>	<b>2,122</b>
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<b>Payables</b>		
Payables arising out of direct insurance operations	15,120	2,436
Payables arising out of reinsurance operations	31,367	5,734
Payables group companies	51	35
Financial derivative liabilities	1,201	1,549
Other payables	21,135	23,762
<b>Total payables</b>	<b>68,873</b>	<b>33,517</b>
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<b>Accruals and deferred income</b>		
Accruals and deferred income	5,043	666
<b>Total accruals and deferred income</b>	<b>5,043</b>	<b>666</b>
 <b>Total liabilities</b>	 <b>719,963</b>	 <b>579,025</b>
 <b>Total equity and liabilities</b>	 <b>837,004</b>	 <b>680,401</b>

# Assuranceforeningen Gard - gjensidig -

## Cash flow analysis

Amounts in USD 000's	21.02.16 to 20.08.16	21.02.15 to 20.08.15
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	15,351	2,872
Tax paid	313	(638)
Change in unrealised gain/(loss) on investments	2,373	(344)
Change in pension obligation	(239)	(81)
Change in receivables and payables	(50,928)	(59,957)
Change in technical provisions and other accruals	63,848	77,646
Purchase/sale of other investments	(9,889)	(4,669)
<b>Net cash flow from operating activities</b>	<b>20,829</b>	<b>14,828</b>
<b>Cash flow from investment activities</b>		
Disposal of equipment	0	0
Investment in equipment	0	0
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
Net change in cash and cash equivalents	20,829	14,828
Cash and cash equivalents at beginning of year	30,908	23,342
<b>Cash and cash equivalents at end of year</b>	<b>51,737</b>	<b>38,170</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 1. Accounting Policies

#### Corporate information

Assuranceforeningen Gard - gjensidig - is a mutual insurance association registered with the Norwegian Companies Register (organisation number 939 717 609). The registered office of the Association is Kittelsbuktveien 31, 4836 Arendal. The Association is licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. As a mutual insurance association costs insurances. As a mutual insurance association the Association is owned by its Members being the owners and charterers of the ships from time to time insured by the Association for Protection and indemnity (P&I) risks. There are no external capital owners.

The principal activity of the Association are; the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance 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, and management of assets covering the technical provisions. The Members of the Association are also Members of Gard P. & I. (Bermuda) Ltd. and vice versa.

Assuranceforeningen Gard - gjensidig- is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Ltd in Bermuda.

#### Basis of preparation of the Accounts

The quarterly accounts include the activity from 21 February 2016 to 20 August 2016.

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance.

The quarterly Accounts have been prepared in accordance with the "Regulations for annual accounts for insurance companies" approved by the Norwegian Ministry of Finance, except for the departures from these regulations listed below. The Association fulfils the exemption criteria in paragraphs 3-12 of Regulations for annual accounts for insurance companies which require limited use of international Financial Reporting Standards (IFRS).

*Departures from regulations for annual accounts for insurance companies:*

1. A part of the financial income is not allocated to the technical result.

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway (FSA) the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.08.2016 has not been audited.

#### Use of accounting estimates when preparing the accounts

The preparation of the accounts requires management to make estimates and assumptions that affect 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. Standard actuarial methods are used in estimating the total cost of outstanding claims. The actuarial method uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 2. Related party transactions

#### Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 per cent of Gard P. & I. (Bermuda Ltd.) risks that is not reinsured elsewhere (15 per cent for policy years up to and including 2009).

The Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere (85 per cent for policy years up to and including 2009).

The Association has entered into a stop loss reinsurance agreement protecting the former against and 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 Hydra, which is a segregated accounts company. The Association's segregated account (cell) in Hydra is covering the former comny's liability to a layer of the International Group (IG) Pool and retention in the first market excess layer.

#### Insurance agency agreements

The Association has entered into an insurance agency agreements with Gard AS, a company owned by Gard P. & I. (Bermuda) Ltd. being the general agent, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association. The Association has entered into agreements with the subsidiaries of Gard AS for services rendered to the Association.

### Note 3. Changes in retained earnings

Amounts in USD 000's	As at <b>20.08.16</b>	As at <b>20.02.16</b>
<b>Retained earnings opening balance</b>	<b>101,376</b>	<b>116,685</b>
Net result for the period	15,664	(15,308)
<b>Retained earnings closing balance</b>	<b>117,041</b>	<b>101,376</b>

### Note 4. Capital requirements

Amounts in USD 000's	As at <b>20.08.16</b>
<b>Own funds</b>	
Reconciliation reserve	112,309
Net deferred tax assets	
<b>Excess of assets over liabilities</b>	<b>112,309</b>
Tier 1 - Unrestricted	112,309
<b>Total basic own funds / (equal to Excess of assets over liabilities)</b>	<b>112,309</b>
Tier 2 - Supplementary calls	63,172
<b>Total ancillary own funds</b>	<b>63,172</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 4. Capital requirements continues

Amounts in USD 000's	As at <b>20.08.16</b>
Total available own funds to meet the SCR	175,482
Total available own funds to meet the MCR	175,482
Total eligible own funds to meet the SCR	175,482
Total eligible own funds to meet the MCR	112,309
SCR	126,345
MCR	34,913
<b>Ratio of eligible own funds to SCR</b>	<b>138.89 %</b>
<b>Ratio of eligible own funds to MCR</b>	<b>321.69 %</b>
<b>Minimum Capital Requirement (MCR)</b>	
Linear MCR	34,913
SCR	126,345
MCR cap (45% of SCR)	56,855
MCR floor (25% of SCR)	31,586
Combined MCR	34,913
Absolute floor of the MCR	4,076
<b>MCR</b>	<b>34,913</b>
<b>Solvency Capital Requirement (SCR)</b>	
Market risk	28,398
Counterparty default risk	22,962
Non-life underwriting risk	82,656
Diversification	(26,483)
<b>Basic SCR</b>	<b>107,533</b>
<b>Calculation of SCR</b>	
Operational risk	18,812
<b>SCR</b>	<b>126,345</b>

The Board of Directors  
**ASSURANCEFORENINGEN GARD -gjensidig-**

23 September 2016

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Trond Eilertsen  
Chairman

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Jane Sy  
Deputy-chairman

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Yngvil Eriksson Åsheim

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Morten W. Høegh

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Ian Beveridge