

Review of policy years – Release Calls

Dear Sirs,

The Boards of Directors of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the “Association”), have noted that the Association’s financial position continues to strengthen, and are pleased to report that no Deferred Call for the 2017 policy year will be levied against the Members.

- As at 20 February 2018, total equity for the Gard group stood at USD 1,249 million (compared to USD 1,135 million as at 20 February 2017), after reduction of the Deferred Call from USD 79 million to nil. The original forecast Deferred Call was 25 per cent of the Advanced Call, which represent a 20% reduction of premiums agreed with Members at inception.
- On an Estimated Total Call (ETC) basis, the net result before the reduction in the Deferred Call was USD 193 million with a combined ratio net (CRN) of 91 per cent. The non-technical result was a positive USD 130 million.
- No further Deferred or Supplementary Calls are expected in respect of the 2015 and 2016 policy years.

More detailed information is provided in the [Directors’ Report and Financial Statements](#) for the Gard group, which is available on www.gard.no.

Review of policy years

Closed years

The estimated surplus for all closed years stood at USD 1,001 million (USD 954 million as at 20 February 2017), an increase of USD 47 million since 20 February 2017. This increase is attributable to the closing of the 2014 policy year last autumn with USD 57 million. All other closed years have deteriorated by USD 10 million over the last year.

On a 99.5 per cent value-at-risk basis the economic capital needed to cover the reserve risk for closed years is estimated to be USD 68 million.

Open years

The 2015 policy year

The 2015 policy year contributed USD 1 million to the total equity. This is a deterioration of USD 19 million since 20 February 2017. A major part of the deterioration was due to a negative development

in Gard's share of other clubs' pool-claims. The 2015 policy year showed a technical result of minus USD 16, a non-technical result of USD 2 million, which included a dividend payment of USD 30 million received from Gard Marine & Energy Limited, and a contribution of USD 16 million from other comprehensive income.

The 2016 policy year

The 2016 policy year contributed USD 98 million to total equity. This was an improvement of USD 53 million since 20 February 2017. The 2016 policy year provided a technical result of USD 31 million, a non-technical result of USD 68 million, and USD 1 million in other comprehensive costs.

The 2017 policy year

After taking into account the reduction in the Deferred Call from 25 per cent to nil, or USD 79 million, the 2017 policy year contributed USD 36 million to the group's total equity. The technical result was minus USD 70 million with a combined ratio net of 120 per cent. On an Estimated Total Call basis, the technical result was a positive USD 9 million, with a combined ratio net of 98 per cent. The non-technical result, net of other comprehensive income, was USD 106 million.

Release Calls

The Boards made the following decisions regarding the collection of 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 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 Association's 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 by policy year under normal circumstances.

Payment procedures

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

- The Release Call percentage shall be separate 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 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:

- The 2015 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year, and it is expected to be closed in October 2018.
- The 2016 policy year: No Deferred Call or Supplementary Calls are anticipated for this policy year. The policy year is due to be closed in October 2019
- The 2017 policy year: The estimated Deferred Call of 25 per cent of the Advance call will not be levied. It is expected that the year can be closed in October 2020.

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

- 2015 policy year: Nil
- 2016 policy year: 5 per cent.
- 2017 policy year: 15 per cent
- 2018 policy year: 20 per cent.

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

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer