

Status report as at 20 August 2018 Review of policy years and Release Calls Premium policy for 2019

The Boards of Directors of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the "Association") have decided that there will be no general increase in the Estimated Total Call for owner's mutual P&I entries and mutual FD&D entries for 2019.

The Association in general, and the individual P&I policy years, have performed better than forecast, with a stable claims environment and some favourable run-off of earlier years. Mutual P&I has for the first half year ending 20 August 2018 generated a surplus above the target level. This represents a continuation of the trend showing solid performance in general which, combined with good technical results on mutual P&I business, has allowed the Association to refrain from levying the full deferred call during the last years.

With regard to premium rating in general, the goal is to set a technically correct Estimated Total Call (ETC) premium for individual Members.

Half year result and Contingency Reserves as at 20 August 2018

On an ETC basis, the total result is a positive USD 27.1 million with a combined ratio of 78 per cent. The total equity for the Gard group, which provides security and stability for the joint Membership, was USD 1,276 million (compared to USD 1,249 million as at 20 February 2018).

Review of policy years

Closed years

The estimated surplus for all closed years stood at USD 1,010 million (USD 1,001 million as at 20 February 2018). The increase in contingency reserve on closed years of USD 9 million is primarily due to reduction in claims estimate for the years 2012 and 2013.

Open years

The results for the open years 2015 to 2018 are estimated to be USD 182 million as at 20 August 2018. Estimates for these years are subject to possible material changes.

The 2015 policy year

A 15 per cent deferred call was levied in September 2016. This was a 10 per cent reduction from the forecasted 25 per cent. The estimated result for the policy year has developed negatively over the last six months. However, due to the Association's strong financial position, the Board of Directors resolved to close the 2015 policy year without any further calls being levied.

The 2016 policy year

No deferred call has been levied in respect of the 2016 policy year. The year was originally forecast to have a deferred call of 25 per cent. For mutual Members, this represents a reduction in the Estimated Total Call of 20 per cent. The estimated result for the policy year has improved over the last six months. The policy year is expected to generate a surplus and is expected to be closed in October 2019 without any further calls being levied.

The 2017 policy year

No deferred call has been levied in respect of the 2017 policy year. Again, the year was originally forecast to have a deferred call of 25 per cent, and like the 2016 policy year, this represents a reduction in the Estimated Total Call of 20 per cent for mutual Members. The estimated result for the 2017 policy year has improved over the last six months. The policy year is expected to generate a surplus and is expected to be closed in October 2020 without any further calls being levied.

The 2018 policy year

During the first six months of the 2018 policy year, there has been an increase in claims incurred compared to the same period of the 2017 policy year. The number of claims reported is down 4 per cent. As at 20 August 2018, claims incurred for the 2018 policy year are 12 per cent above plan. The forecast deferred call for the policy year is 25 per cent.

Release Calls

The Release Calls are calculated as a percentage of the Estimated Total Call premium for the relevant Ship in the relevant open policy year. Having reviewed the current practice against the background of the Association's stable performance during the last years, the Board of Directors decided to reduce the level of Release Calls. It was resolved that Release Calls for open policy years shall be set as follows:

For the 2016 policy year:	2.5 per cent
For the 2017 policy year:	5.0 per cent
For the 2018 policy year:	7.5 per cent
<i>For the 2019 policy year:</i>	<i>7.5 per cent</i>

The Association now encourages all Members to stay with their obligations as mutual Members of the Association. Security through guarantees or deposits is no longer required from Members who transfer ships out of the Association. A Release Call is levied only on Members wishing to be released from their liabilities to the Association.

Premium policy and deductible for the 2019 policy year

The overall rate level of the portfolio has been evaluated to be sufficient to meet claims expectation of 2019 policy year provided there are no major changes in frequency or severity. There may be a need to adjust the premium rate level between segments and individual Members. To achieve the long-term surplus target and to maintain a technically correct ETC premium level, it is necessary to maintain the current rate level at renewal.

The Board of Directors decided to simplify the premium model in terms of terminology and math through Rule changes reflecting the following:

- "Premium Rating" replaced with "Estimated Total Call" (ETC)
- "Deferred Call" replaced with "Last Instalment"
- "Last Instalment" to be a percentage of the Estimated Total Call for the relevant entered ship
- "Supplementary Call" (meaning premium levied in addition to the Estimated Total Call) to be retained but shall be calculated as a percentage of the Estimated Total Call
- The term "Advance Call" is no longer needed

The change does not represent any material difference to the premium policy. It merely simplifies future communication and increases clarity. Members' loss records have been updated to reflect the same and are available in the portal "MyGard". Further details of the Rule changes for the 2019 policy year will be communicated later in a separate circular.

The Board of Directors resolved that the premium adjustments for the 2019 policy year should result in an expected Combined Ratio Net of approximately 105 per cent for owner's mutual P&I entries.

Correspondingly, this means that there will be no general increase in the Estimated Total Call for owners' mutual P&I entries and mutual FD&D entries. The Last Instalment for the 2019 policy year shall be set at 20 per cent of the ETC premium. The Board of Directors will determine whether the Last instalment shall be levied in whole or in part after the expiry of the policy year to which the Last Instalment relates.

Deductibles

The Board of Directors further resolved that each of the standard deductibles for P&I risks as set out in the Rules for Ships, Appendix V, paragraph 2, shall remain unchanged.

Summary

The following decisions were taken by the Boards:

(i) *Premium policy for the 2019 policy year*

No general increase in the Estimated Total Call for owners' mutual P&I entries and mutual FD&D entries. The Last Instalment for the 2019 policy years shall be set at 20 per cent of the ETC premium.

(ii) *Review of open policy years*

2015 policy year: A 15 per cent Deferred Call, 10 per cent less than forecast, was levied in September 2016. The year is now closed without any further Calls being levied.

2016 policy year: No deferred call has been levied in respect of the 2016 policy year. It is expected that the year can be closed in October 2019 with no further calls being levied.

2017 policy year: No deferred call has been levied in in respect of the 2017 policy year. It is expected that the year can be closed in October 2020 with no further calls being levied.

2018 policy year: The original estimate of 25 per cent deferred call should be maintained and is scheduled to be revised in May 2019.

(iii) *Release calls in respect of open policy years*

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

For the 2016 policy year:	2.5 per cent
For the 2017 policy year:	5.0 per cent
For the 2018 policy year:	7.5 per cent
For the 2019 policy year:	7.5 per cent

If you have any questions, please contact [Bjørnar Andresen](#), Chief Underwriting Officer.

Yours faithfully,

GARD AS



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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