

Status report as at 20 February 2019

Review of policy years

Dear Sirs,

The Board of Directors of the parent company, Gard P. & I. (Bermuda) Ltd. (the "Association"), met on 11 and 13 May 2019 in Bermuda and is pleased to report that as at 20 February 2019, and on a consolidated basis,¹ the financial position of the Association remains strong.

- On an Estimated Total Call (ETC) basis, the net result before the reduction in the Last Instalment (previously known as the Deferred Call)² was negative USD 53 million.
- Total equity for the Gard group, which provides security and stability for the joint membership, stands at USD 1,159 million (compared to USD 1,249 million as at 20 February 2018) based on a reduction in the Last Instalment to 10 per cent of ETC, against the original estimate of 20 per cent, which equates to a total reduction of USD 37 million for the membership.
- P&I mutual operations produced a technical surplus of USD 30 million on an Estimated Total Call (ETC) basis. Taking into account the reduction in the Last Instalment, P&I mutual had a final result of negative USD 7 million thus reducing total equity by USD 90 million.

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

As at 20 February 2019, the estimated surplus for all closed years stood at USD 1,032 million, an increase of USD 31 million from 20 February 2018. The increase is in particular attributable to improvements in policy years 2007 and 2012 due to positive development on some old large cases. All other closed years have improved by USD 5 million over the last year.

¹ The term "consolidated" means the consolidated accounts of Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard – gjensidig, and their subsidiaries.

² Last Instalment is expressed as a percentage of ETC, meaning that a 10 per cent reduction is the same as reduction of agreed premiums at renewal. The outgoing term Deferred call is expressed as a percentage of the outgoing term Advance Call which was 80 per cent of ETC. A 10 per cent reduction of ETC is therefore equivalent to a 12.5 per cent reduction in Deferred Call.

Open years

2016

Policy year 2016 contributed USD 103 million to the Association's total equity. This is an increase of USD 4 million from 20 February 2018. Results for this policy year include a technical result of USD 36 million and a non-technical result of USD 67 million which includes a dividend payment of USD 30 million received from Gard Marine & Energy Limited.

2017

Policy year 2017 contributed USD 82 million to total equity. This is an increase of USD 46 million from 20 February 2018. This policy year had a technical result of minus USD 24 million after the decision not to call the last instalment of 20 per cent of the ETC, and a non-technical result of USD 106 million.

2018

Following the reduction in the last instalment of USD 37 million and an impairment of an IT project, the 2018 policy year suffered a loss of USD 81 million. On an ETC basis, the technical result was minus USD 104 million. The non-technical result was USD 60 million which includes a dividend payment of USD 45 million received from Gard Marine & Energy Limited.

Release Calls

The Association's Board of Directors, and the Boards of its subsidiaries, have determined that the following procedures and factors shall be followed and taken into account when forecasting the Last Instalment and when determining the Release Call percentages and the collection of Release Calls when an entry is terminated or ceases:

Risk factors

The following factors will be considered by the Board when determining the Release Call percentages:

- The risk that any previously published levels of estimated premiums may be exceeded, when assessed by using the Association's methodology for calculating the capital required, which is determined by 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 Board for the payment of the Release Call and the Last Instalment when an entry is terminated or shall cease:

- The Release Call percentage shall be separated from the Last Instalment 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.
- The forecast Last Instalment for the relevant entry for the relevant policy year, which has not yet been levied, in addition to the Release Call, shall be paid on demand when an entry is terminated or shall cease.
- In addition to the Release Call, when the relevant proportion of the Last Instalment has been decided by the Board of Directors but not yet been paid by the Member, it is this proportion of the Last Instalment that shall also be paid when an entry is terminated or has ceased.

Summary

To summarize, the following decisions were taken by the Association's Board of Directors:

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| The 2016 policy year: | This policy year can be closed in October 2019.
No further calls are expected. |
| The 2017 policy year: | This policy year can be closed in October 2020.
No further calls are expected. |
| The 2018 policy year: | This policy year is expected to be closed in October 2021. The Last Instalment shall be reduced from 20 per cent to 10 per cent of the ETC and will be levied in September 2019. |
| The 2019 policy year: | The estimated Last Instalment shall remain at 20 per cent. |

Release Calls (as a percentage of the ETC):

- | | |
|-------------------|-----------------------------|
| 2016 policy year: | Nil |
| 2017 policy year: | 5 per cent of ETC premium. |
| 2018 policy year: | 5 per cent of ETC premium |
| 2019 policy year: | 10 per cent of ETC premium. |

If you have any questions, please contact the Group Chief Underwriting Officer, Bjørnar Andresen.

Yours faithfully,
GARD AS

Rolf Thore Roppestad
Chief Executive Officer