

Status report as at 20 February 2020

Dear Sirs,

We are pleased to report that as at 20 February 2020, and on a consolidated basis,¹ the financial position of Gard P. & I. (Bermuda) Ltd. (the “Association”) and its subsidiaries (together, “Gard” or the “group”), remains strong.

The results and capitalisation of the Association as at 20 February 2020 allow for a reduction in the Last Instalment. However, due to the high volatility and uncertainty we currently see in both global financial and shipping markets caused by COVID-19 the Association’s Board of Directors has resolved to defer the decision to call the Last Instalment for the 2019 Policy Year, in full or in part, until the Board of Director’s meeting in November 2020. As a result of the deferred decision to after the Annual General Meeting, the accounts as at 20 February 2020 do not include any part of the Last Instalment. The Last Instalment in full is equal to USD 72 million and the postponement will hopefully give Members a limited cash flow benefit.

Key accounting and performance figures and decisions by the Association’s Boards of Directors can be summarised as follows:

- Total equity for the Gard group, which provides security and stability for the joint membership, stands at USD 1,179 million (compared to USD 1,159 million as at 20 February 2019).
- The net result on an Estimated Total Call (ETC) basis was USD 93 million with a Combined Ratio Net (CRN) of 102 per cent. The result without the Last Instalment was USD 20 million.
- Non-mutual insurance operations (P&I Fixed, Marine (Hull), Energy and Builders Risks) produced a result of USD 46 million for the year to 20 February 2020.
- The investment return on a group basis was USD 118 million.

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

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

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 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 fixed 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 final Last Instalment has been decided by the Board of Directors but not yet been paid by the member, it is this final Last Instalment that shall also be paid when an entry is terminated or has ceased.

Summary of decisions regarding open policy years and release calls

As noted above, the Board of Directors agreed to defer the decision to call the Last Instalment for the 2019 Policy Year until the November 2020 Board meeting.

The Board of Directors also approved a special Covid-19 Capital Contingency Plan to ensure the group's compliance with regulatory and internal capital requirements in the interim period between the Association's Board of Directors meeting in May 2020 and November 2020.

Finally, the Board of Directors approved the following decisions regarding the estimated Last Instalments and Release Calls for open policy years for the group's Members:

Last Instalment and Supplementary Calls:

- 2017 policy year: The Last Instalment is not called, and the year is expected to be closed in November 2020 with no further calls.
- 2018 policy year: The Last Instalment was reduced from 20 per cent to 10 per cent of ETC, and the year is expected to be closed in November 2021 with no further calls.
- 2019 policy year: The year is expected to be closed in November 2022. The decision on the premium to call as Last Instalment for policy year 2019 is deferred and will be taken at the Board of Directors meeting in November 2020. The estimated premium from the Last Instalment of 20 per cent of the ETC is USD 72 million.
- 2020 policy year: The estimated Last Instalment level should remain at 20 per cent of ETC.

Release calls

- 2017 policy year: Nil
2018 policy year: 5 per cent
2019 policy year: 5 per cent
2020 policy year: 10 per cent

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

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer