

**Assuranceforeningen Gard - gjensidig -
Profit & Loss Account**

Amounts in USD 000's

	21.08.2011 to 20.11.11	21.08.2010 to 20.11.10	21.02.2011 to 20.11.11	21.02.2010 to 20.11.10
Technical account				
Gross written premium	28,067	24,289	122,106	104,653
Ceded reinsurance	(5,954)	(9,375)	(45,482)	(37,614)
Change in gross premium reserve	4,800	3,351	(26,334)	(23,304)
Change in RI premium reserve	(6,983)	(2,461)	7,229	5,255
Net earned premium	19,930	15,804	57,519	48,990
Gross settled claims	30,188	107,681	113,156	230,592
Reinsurers share of gross settled claims	(16,834)	(89,658)	(70,380)	(192,823)
Change in Gross claims reserve	(24,917)	(113,576)	(58,972)	(184,944)
Reinsurers share of change in claims reserve	28,771	113,087	68,485	192,665
Net claims cost	17,208	17,534	52,289	45,490
Aquisition costs	1,937	4,393	5,623	5,583
Net Operating expenses	628	(17,864)	4,146	4,672
Technical result before change in contingency reserve	157	11,741	(4,539)	(6,755)
Change in the contingency reserve	4,414	(19,533)	6,098	(7,221)
Technical result	4,571	(7,792)	1,559	(13,976)
Non-technical account				
Investment income	(49)	2,452	4,208	8,669
Change in unrealized gain/loss of investments	(1,365)	4,015	(3,519)	8,146
Gains on realization of investments	(2,937)	1,623	(1,081)	(1,572)
Investment management expenses	(204)	(290)	(1,135)	(1,218)
Non-technical result	(4,555)	7,800	(1,527)	14,025
Profit before tax	16	8	32	49
Taxation	16	8	32	49
Net result	0	0	0	0

**Assuranceforeningen Gard - gjensidig -
Balance Sheet**

Amounts in USD 000's

ASSETS	Notes	As at 20.11.11	As at 20.02.11
Investments			
Investments at amortized cost		3,465	3,465
Financial instruments at fair value through profit and loss	3	216,787	151,123
Total investments		220,252	154,588
Reinsurers share of technical provisions			
Reinsurers' share of gross premium reserve		7,204	0
Reinsurers' share of gross claims reserve		446,391	514,877
Total reinsurers' share of technical provisions		453,595	514,877
Receivables			
Receivables from direct insurance operations		20,193	19,579
Receivables from reinsurance operations		12,983	43,330
Receivables from group companies		2,292	1,144
Other receivables		211	117
Total receivables		35,679	64,170
Other assets			
Equipment		2,962	2,951
Cash and cash equivalents		37,542	33,359
Total other assets		40,504	36,310
Prepayments and accrued income			
Accrued income and other prepayments		2,221	1,272
Total prepayments and accrued income		2,221	1,272
TOTAL ASSETS		752,251	771,217

**Assuranceforeningen Gard - gjensidig -
Balance Sheet**

Amounts in USD 000's

EQUITY AND LIABILITIES		As at 20.11.11	As at 20.02.11
Technical provisions			
Gross premium reserve		26,006	0
Gross claim reserve		578,038	636,773
Total technical provisions		604,044	636,773
Contingency reserve			
General contingency reserve	4	110,500	116,836
Total contingency reserve		110,500	116,836
Provision for other liabilities			
Pension obligations		3,527	3,686
Total provisions for other liabilities		3,527	3,686
Creditors			
Creditors arising out of direct insurance operations		134	168
Creditors arising out of reinsurance operations		16,572	1,513
Creditors group companies		336	2,167
Other creditors		16,062	6,615
Total creditors		33,104	10,463
Accruals and deferred income			
Accruals and deferred income		1,076	3,459
Total accruals and deferred income		1,076	3,459
Total liabilities		752,251	771,217
TOTAL EQUITY AND LIABILITIES		752,251	771,217

ASSURANCEFORENINGEN GARD -gjensidig-

Cash flow analysis

(All amounts are stated in USD 000's)

	21.02.11 to 20.11.11	21.02.10 to 20.11.10
Cash flow from operating activities		
Profit from ordinary operations before tax	32	50
Income tax payable	(32)	(50)
Change in receivables and creditors	47,641	(33,790)
Change in technical provisions and other accruals	22,217	32,289
Net cash flow from operating activities	A 69,858	(1,501)
Cash flow from investment activities		
Purchase/sale of other investment	(65,675)	(8,352)
Net cash flow from investment activities	B (65,675)	(8,352)
Net change in cash and cash equivalents	A+B 4,183	(9,853)
Cash and cash equivalents at opening balance	33,359	14,488
Cash and cash equivalents at closing balance	37,542	4,635

NOTE 1. Accounting Policies

Corporate information

Assuranceforeningen Gard –gjetsidig- is a mutual insurance association.

As a mutual insurance association it is owned by its Members. The registered office of the association is Kittelsbuktveien 31, 4836 Arendal. The association carries out marine liability and legal costs insurances. The principal activity of the association is the insurance of marine Protection and Indemnity risk on 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.

Basis of preparation of the Accounts

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance. The quarterly Accounts have been prepared in accordance with “Regulations for annual accounts for insurance companies” approved by the Norwegian Ministry of Finance, which includes a limited use of IFRS regarding disclosures to the accounts.

The Association has a dispensation from the requirement to allocate investment return to the technical account.

According to a resolution from the Financial Supervisory Authority of Norway the Association can present the accounts in English language and USD, since the functional currency of the Association is USD. The association is exempted from presenting the statutory administrative expense reserve and the contingency reserve separately.

The quarterly accounts are based on the same accounting principles as used in the annual accounts for the year ended 20.02.2011.

The accounts as at 20.11.2011 has not been audited.

Use of accounting estimates when preparing the accounts

The preparation of the accounts requires the Management to make estimates and assumptions that affects 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.

Actuarial methods are used in estimating the total cost of outstanding claims.

Note 2. Related party transactions

Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures with effect from 20 February 2010 a proportion amounting to 2 per cent (15 per cent for policy years up to 2009) of Gard P. & I. (Bermuda) Ltd's Protection and Indemnity risk underwritten that is not reinsured elsewhere. With effect from the same date the Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent (85 per cent for policy years up to 2009) of the Association's retained Protection and Indemnity risk underwritten that is not reinsured elsewhere.

The Association have entered into a stop loss reinsurance agreement protecting the former against an 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 the Gard Cell of Hydra Insurance Company Ltd (the Gard Cell is owned by Gard P. & I. (Bermuda) Ltd), Hydra Insurance Company Limited is a reinsurance company established by the parties to the International Group of P&I Clubs' Pooling Agreement pursuant to the Bermuda Segregated Accounts Companies Act 2000 as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement.

Insurance agency agreements

The Association has entered into insurance agency agreements with Gard AS and its subsidiaries (Gard AS is owned by Gard P. & I. (Bermuda) Ltd) whereby the companies are delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association.

Note 3. Changes in financial instruments at fair value through profit and loss

In the third quarter there has been a negative development in financial markets resulting in a negative Non-technical result.

Note 4. Changes in the contingency reserve

All amounts are stated in USD 000's

	20.11.11	20.02.11
Contingency reserve carried forward	116,836	123,187
Transfer from contingency reserve	(6,098)	(6,344)
Incorporation of IBNR error	(238)	(7)
Contingency reserve brought forward	110,500	116,836

London 16 January 2012

The Board of Directors

ASSURANCEFORENINGEN GARD -gjensidig-

Trond Eilertsen
Chairman

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła
Deputy Chairman

Michael Say

Claes Isacson
Managing Director