

ASSURANCEFORENINGEN GARD -gjensidig- Income Statement

Amounts in USD 000's

	21.02.14 to 20.05.14	21.02.13 to 20.05.13
Technical account		
Gross written premium	117,764	75,405
Estimated deferred call	8,219	4,728
Change in premium for unearned premiums	(91,261)	(48,012)
Ceded reinsurance	(60,746)	(38,647)
Reinsurers' share of change in provision	44,838	24,761
Net earned premium	18,814	18,235
Other insurance related income	25	40
Gross settled claims	42,102	28,721
Reinsurers' share of gross settled claims	(18,491)	(15,596)
Change in gross claims reserve	(15,593)	(12,059)
Reinsurers' share of change in claims reserve	11,077	11,689
Net claims cost	19,095	12,755
Acquisition costs	3,449	2,130
Net operating expenses	511	987
Technical result before change in contingency reserve	(4,216)	2,402
Change in the contingency reserve	4,758	(7,612)
Technical result	542	(5,210)
Non-technical account		
Investment income	2,248	736
Change in unrealized gain of investments	(5,283)	2,961
Loss on realization of investments	4,113	1,246
Investment management expenses	(1,579)	329
Non-technical result	(501)	5,272
Profit before tax	41	62
Taxation	(41)	(62)
Net result	0	(0)

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

	As at 20.05.14	As at 20.02.14
ASSETS		
Investments		
<i>Financial investments at fair value through profit and loss</i>		
Equities and shares in funds	20,258	33,144
Bonds	178,085	152,685
Financial derivatives assets	413	0
Other financial investments	15,384	11,978
Total investments	214,140	197,807
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	43,890	0
Reinsurers' share of gross claims reserve	219,143	230,221
Total reinsurers' share of technical provisions	263,033	230,221
Receivables		
Receivables from direct insurance operations	92,340	12,720
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	0	3,724
Receivables from group companies	1,030	31,748
Total receivables	93,370	48,192
Other assets		
Equipment	3,794	2,946
Cash and cash equivalents	40,335	42,743
Other financial assets	2,086	2,086
Total other assets	46,215	47,774
Prepayments and accrued income		
Accrued interest	1,468	1,581
Accrued income and other prepayments	5,299	552
Total prepayments and accrued income	6,767	2,133
TOTAL ASSETS	623,525	526,126

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

	As at 20.05.14	As at 20.02.14
LIABILITIES		
Technical provisions		
Gross premium reserve	102,899	0
Gross claims reserve	358,532	374,125
Total technical provisions	461,431	374,125
Contingency reserve		
Contingency reserve	123,621	128,961
Total contingency reserve	123,621	128,961
Provision for other liabilities		
Pension obligations	3,175	2,606
Total provisions for other liabilities	3,175	2,606
Payables		
Payables arising out of direct insurance operations	3,799	1,187
Payables arising out of reinsurance operations	6,294	2,981
Payables arising out of intra-group reinsurance operations	1,978	226
Financial derivatives liabilities	636	349
Other payables	22,434	14,683
Total payables	35,141	19,426
Accruals and deferred income		
Accruals and deferred income	157	1,008
Total accruals and deferred income	157	1,008
Total liabilities	623,525	526,126
TOTAL EQUITY AND LIABILITIES	623,525	526,126

ASSURANCEFORENINGEN GARD -gjensidig-**Cash flow analysis**

(All amounts are stated in USD 000's)

	21.02.14 to 20.05.14	21.02.13 to 20.05.13
Cash flow from operating activities		
Profit from ordinary operations before tax	41	62
Income tax expense	(41)	(62)
Change in unrealised gain/loss of investments	(5,283)	2,961
Change in pension obligation	569	(257)
Change in receivables and creditors	(29,463)	2,055
Change in technical provisions and other accruals	43,669	28,119
Net cash flow from operating activities	A 9,492	32,878
Cash flow from investment activities		
Purchase of fixed assets	(848)	22
Purchase/sale of other investment	(15,483)	(27,380)
Net cash flow from investment activities	B (16,331)	(27,359)
Net change in cash and cash equivalents	A+B (6,839)	5,520
Cash and cash equivalents at opening balance	47,174	9,258
Cash and cash equivalents at closing balance	40,335	14,778

NOTE 1. Accounting Policies

Corporate information

Assuranceforeningen Gard –gjensidig- 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 20.02.2014.

The accounts as at 20.05.2014 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 the contingency reserve

All amounts are stated in USD 000's

	20.05.14	20.02.14
Contingency reserve carried forward	128,961	111,949
Transfer from contingency reserve	(5,340)	17,012
Contingency reserve brought forward	123,621	128,961

20 June 2014

The Board of Directors

ASSURANCEFORENINGEN GARD -gjensidig-

Trond Eilertsen
Chairman

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła
Deputy Chairman

Rolf Thore Roppestad
Managing Director