

## Review of Policy Years – Release Calls

Dear Sirs,

At their recent meetings, your Boards of Directors (the “Boards”) received various reports on matters of importance for the business activities of **Gard P. & I. (Bermuda) Ltd.** and **Assuranceforeningen Gard - gjensidig** (the “Associations”), and were pleased to note that the financial position of the Associations has been further strengthened.

- On an Estimated Total Call (ETC) basis, the result after tax was USD 85 million with a combined ratio net (CRN) of 83 per cent.
- The Boards unanimously resolved to levy a 15 per cent Deferred Call for the 2015 policy year, which is 10 percentage points less than the original estimate of 25 per cent and represent a reduction of USD 37 million in the amount of premium actually called.
- As at 20 February, 2016 the consolidated contingency reserves of the Associations, which provide security and stability for the joint membership, stood at USD 1,017 million (compared to USD 969 million last year) based on a 15 per cent Deferred Call for the 2015 policy year.
- No further Deferred Calls or Supplementary Calls are expected for the 2013 and 2014 policy years.

More detailed information will be provided in the Directors’ Report and Financial Statements for the Gard group, which will be available on [www.gard.no](http://www.gard.no) shortly.

### Closed years

Closed policy years continue to develop as previously forecasted. No Release Calls are payable in respect of closed years.

### Open years

#### The 2013 policy year

The 2013 policy year has had positive technical result and a very strong non-technical result, which has allowed the year to make a good contribution to the contingency reserve.

No further Deferred Calls or Supplementary Calls are expected to be levied for the 2013 policy year and it is expected that the year can be closed in October 2016.

The Release Call for the year was set at Nil.

#### The 2014 policy year

Policy year 2014 has also made a positive contribution to the contingency reserve, which is a marked improvement from the 2015 financial year-end. Although there were adverse results from other comprehensive costs, the positive technical and non-technical results were contributing factors in the overall contribution to the Associations’ consolidated contingency reserves. The 2014 policy year is forecast to be closed in October 2017 at the earliest.

The Release Call for the year was set at 5 per cent of the ETC premium for the relevant entry.

#### The 2015 policy year

The Marine & Energy business made a substantial dividend payment towards the contingency reserve and there were positive contributions from other sources. However, negative non-technical results, coupled with a reduction in the Deferred Call from 25 per cent to 15 per cent, which will cause the original estimates for premium to be adjusted downwards by USD 37 million, will cause the 2015 policy year to make a negative contribution to the contingency reserve.

The Release Call for the 2015 policy year was set at 15 per cent.

#### The 2016 policy year

The Boards confirmed that the Deferred Call for the 2016 policy year should remain at 25 percent and the Release Call should be kept at 20 per cent of the ETC premium for the relevant entry for the year.

### **Release Calls**

The Boards decided that the following procedures shall be followed, and factors taken into account, when determining the Release Call percentages and the collection of Release Calls and forecast Deferred Calls from members when an entry is terminated or shall cease.

#### *Risk factors*

The following factors have been taken into account by the Boards when the Release Call percentages have been determined:

- The risk that the published levels of expected premiums may be exceeded, assessed on the basis of the Associations' methodology for calculating the capital required, 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 percentages per policy year under normal circumstances.

#### *Payment procedures*

The following procedures and terms have been determined by the Boards for the payment of the Release Call and the Deferred Call when an entry is terminated or shall cease:

- The Release Call percentage shall be separated from the Deferred Call 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.
- Forecast Deferred Call for the relevant entry for the relevant policy year which has not yet been levied, shall be paid on demand, in addition to the Release Call when an entry is terminated or shall cease.

- When the actual Deferred Call has been decided by the Board of Directors but not yet been paid by the member, it is the actual Deferred Call, as determined by the Board of Directors, that shall be paid in addition to the Release Call when an entry is terminated or has ceased.

### Summary

To summarize, the following decisions were taken by the Boards:

- (i) The 2013 policy year: No further Deferred Calls or Supplementary Calls will be made for this policy year, and it is expected to be closed in October 2016.
- (ii) The 2014 policy year: No further Deferred Calls or Supplementary Calls are anticipated for this policy year, and it is expected to be closed in October 2017.
- (iii) The 2015 policy year: A Deferred Call of 15 per cent, down from the original estimate of 25 per cent, has been ordered for this policy year for payment on 1 September 2016. The year is expected to be closed in October 2018.
- (iv) The 2016 policy year: The estimated Deferred Call level shall remain at 25 per cent.
- (v) Release Calls (as a percentage of the ETC premium for the relevant Ship):
  - 2013 policy year: Nil
  - 2014 policy year: 5 per cent of ETC premium.
  - 2015 policy year: 15 per cent of ETC premium
  - 2016 policy year: 20 per cent of ETC premium.

If you have any questions, please contact the underwriting department.

Yours faithfully,  
**GARD AS**



Rolf Thore Roppestad  
Chief Executive Officer