

Review of policy years
Premium rating for the 2017 policy year
Half-year status report as at 20 August 2016

Dear Sirs,

Summary

We are pleased to report that the financial position of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the "Association"), on a consolidated basis¹ as at the end of the second quarter of 2016 (20 August), remains strong. Key accounting and performance figures and decisions by the Boards of Directors are reported with the consent of Lingard Limited, the Manager of Gard P. & I. (Bermuda) Ltd., and can be summarized as follows:

- As at 20 August, 2016, the consolidated equity of the Gard group of companies, which provide security and stability for the joint membership, stood at USD 1,114 million (USD 1,017 million as at 20 February, 2016).
- Policy year 2013 is closed and no further Calls will be levied.
- No further Deferred Calls or Supplementary Calls are expected for the 2014 and 2015 policy years.
- No general increase in the Advance Calls for mutual P&I and FD&D entries for the 2017 policy year.

Review of policy years

Closed years

The estimated surplus for all closed years stood at USD 829 million as at 20 August 2016. This is a decrease of USD 5 million from 20 February 2016.

Open policy years

The results for the open years 2013 to 2016 are estimated to be USD 237 million as at 20 August 2016. Estimates for these years are subject to possible material changes. Non-technical results for each year include dividend payments from Gard Marine & Energy Limited.

The 2013 policy year closed

A 15 per cent Deferred Call, a 10 per cent reduction from the 25 per cent forecast, was levied in September 2014. Although the year has developed negatively over the last six months, the Board of Directors resolved to close the 2013 policy year without any further calls being levied.

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

The 2014 policy year

A 15 per cent Deferred Call, 10 per cent less than forecast, was levied in September 2015. The technical and non-technical results are positive and the year is expected to be closed in October 2017 without any further calls being levied.

The 2015 policy year

A 15 per cent Deferred Call was levied in September 2016 representing a 10 per cent reduction from the 25 per cent Deferred Call forecast. The estimated result for the 2015 policy year has improved over the last six months. The year is expected to end with a surplus and to be closed in October 2018 without any further calls being levied.

The 2016 policy year

During the first six months of the 2016 policy year, there has been a decrease in claims incurred compared to the same period for the 2015 policy year. To date only one new claim above USD 2 million has been reported. By comparison, in 2014 four cases were reported in excess of USD 2 million after the first six months.

The Board confirmed that the Deferred Call for the 2016 policy year should remain at 25 per cent. Members should continue to budget using the full Deferred Call estimate for the 2016 policy year.

Release Calls

The Release Calls are calculated as a percentage of the Estimated Total Call premium for the relevant Ship in the relevant open policy year. The Boards resolved that, based on the current forecasts and in line with the practice for setting Release Calls, the Release Calls for open policy years shall be set as follows:

For the 2014 policy year:	5 per cent
For the 2015 policy year:	5 per cent
For the 2016 policy year:	20 per cent
For the 2017 policy year:	20 per cent

Premium policy and deductibles for the 2017 policy year

As a general principle, the level of premium for both mutual and fixed premium entries will depend on the individual Member's loss record and expected claims. For the 2017 policy year the Board has decided, as for the current year, that the premium policy for ordinary P&I business should be a technical result target expressed as a combined ratio net ("CRN"), rather than as a general premium increase across the board for all entries. The CRN expresses the estimated claims and administration costs for the year, divided by the estimated premiums earned.

Against this background, the Board of Directors has decided that the premium adjustments for the 2017 policy year should result in a CRN of 102.5 per cent for P&I and FD&D mutual entries. Correspondingly, there will be no general increase in the Advance Calls for owners' mutual P&I entries and likewise, no general increase for mutual FD&D entries for the 2017 policy year.

Deductibles

The Board has resolved that the standard deductibles for P&I risks for the 2017 policy year shall remain unchanged from 2016.

Half-year status report as at 20 August 2016*Tonnage (P&I mutual)*

Total tonnage entered on behalf of owners as at 20 August, 2016 amounts to 219.6 million GT. Mutual P&I represents 202.9 million GT and mobile offshore units entered on the basis of fixed premium, and reinsured outside the International Group structure, amounts to 16.7 million GT. Comparable figures as at 20 February, 2015 were 193.3 million GT and 18.1 million GT, respectively.

Key figures from the consolidated accounts

Total assets have increased to USD 3,493 million from USD 3,013 million at the end of last year. On a consolidated basis, the general equity is up to USD 1,114 million from USD 1,017 million at the end of last year.

The consolidated accounts for the first half of 2016 show a surplus of USD 97 million after tax. The consolidated technical result across all business areas showed a surplus of USD 15 million with a combined ratio net of 96 per cent, while the combined non-technical result was a positive USD 84 million.

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

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer