

Review of Policy Years – Release Calls

Dear Sirs,

The Boards of Directors of Gard P. & I. (Bermuda) Ltd. and its subsidiaries (together, the “Association”), have noted that the Association’s financial position continues to strengthen, and are pleased to report that no Deferred Call for the 2016 policy year will be levied against the Members.

- As at 20 February, 2017, total equity for the Association stood at USD 1,135 million, compared to USD 1,010 million as at 20 February 2016 restated, after reduction of the Deferred Call from USD 90 million to nil. The original forecast Deferred Call was 25 per cent of the Advanced Call.
- On an Estimated Total Call (ETC) basis, the net result before the reduction in the Deferred Call was USD 215 million with a combined ratio net (CRN) of 83 per cent. The non-technical result was a positive USD 103 million.
- No further Deferred or Supplementary Calls are expected in respect of the 2014 and 2015 policy years.

More detailed information is provided in the Directors’ Report and Financial Statements for the Gard group, which is available on www.gard.no.

Closed years

The estimated surplus for all closed years stood at USD 954 million, an increase of USD 120 million from 20 February 2016. This increase is attributable to the surplus of the 2013 policy year when closed at the Board’s meeting in October 2016.

Open years

The 2014 policy year

The 2014 policy year has had positive technical and non-technical results that allow the year to make a positive contribution to the equity.

It is expected that the year can be closed in October 2017 with no further calls.

The Release Call for the year was set at Nil.

The 2015 policy year

The results for the 2015 policy year have improved and will contribute to the Association's total equity. This is an improvement from last year. Modest positive technical and non-technical results were aided by a dividend payment from the Marine & Energy business and a contribution from other comprehensive income. The 2015 policy year is expected to be closed in October 2018 with no further calls.

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

The 2016 policy year

After taking into account the reduction in premium caused by the decision to reduce the Deferred Call for this policy year to nil, the 2016 year has still contributed to the Association's total equity.

The Release Call for the 2016 policy year was set at 15 per cent of the ETC premium for the relevant entry.

The 2017 policy year

The Boards confirmed that the Deferred Call for the 2017 policy year should remain at 25 per cent of the Advance Call and that the Release Call should be 20 per cent of the ETC premium for the relevant entry.

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 Association's 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 percentage 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:

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.
The 2015 policy year:	A Deferred Call of 15 per cent of the Advance Call, down from the original estimate of 25 per cent, was levied in September 2016. No further Deferred Calls or Supplementary Calls are anticipated for this policy year, and it is expected to be closed in October 2018.
The 2016 policy year:	No Deferred Call is anticipated for this policy year. The original estimate was 25 per cent of the Advance Call. The policy year is due to be closed in October 2019
The 2017 policy year:	The estimated Deferred Call level shall remain at 25 per cent of the Advance Call.

Release Calls (as a percentage of the ETC premium for the relevant Ship):

2014 policy year:	Nil
2015 policy year:	5 per cent of ETC premium.
2016 policy year:	15 per cent of ETC premium
2017 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