S&P Global
Ratings

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Gard P&I (Bermuda) Ltd.

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Gard P&I (Bermuda) Ltd.

Anchor	a+
Business Risk	**Strong**
Competitive position	Strong
IICRA	Intermediate
Financial Risk	**Very Strong**
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral

\+

Modifiers	0
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	0

=

SACP	a+

\+

Support	0
Group support	0
Government support	0

=

A+/Stable/--
Financial strength rating

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Dominant market share in the protection and indemnity (P&I) sector, with strong brand recognition.	More diverse than peers within its marine specialization, although lacking product diversification outside marine-related risks.
Well capitalized, based on our risk-based model.	Exposed to the volatility of other International Group (IG) clubs' claims through the IG's pooling system.

Gard P&I (Bermuda) Ltd. (Gard or the club) will remain the dominant player in the P&I segment and a significant participant in the marine market more generally. S&P Global Ratings expects that Gard will remain the largest player in the P&I sector, with a market share of close to one-fifth. This strength, combined with the club's ability to make unbudgeted calls on members, influences our selection of the 'a+' anchor.

We expect the club to continue to record underwriting profits over 2023-2025 assuming more normalized pool claims from other clubs over the same period. Despite the potential for mark-to-market losses on its investment portfolio during 2023, we expect that Gard will continue to return premiums to its members at the same rate while maintaining a comfortable excess over our 'AAA' benchmark in our risk-based model.

Although the club is more diversified than any of its P&I peers, writing both hull and energy covers alongside the core P&I offering, it remains largely undiversified. Most peers at the 'A+' level have more product diversification, with many writing both life and nonlife products or having a significant nonrisk-bearing income stream. Gard is therefore more exposed to the fortunes of one sector than many of its 'A+' peers.

Outlook: Stable

The stable outlook indicates that we expect the club to retain its preeminent position in the P&I and marine sectors over the next two years. It will demonstrate this by outperforming its P&I peers in terms of underwriting performance. We also expect Gard to maintain its robust capital levels, comfortably exceeding our 'AAA' category levels over the next two years.

Downside scenario

We could lower the rating if Gard were to record combined ratios on an estimated total call basis that were consistently above 100% over a prolonged period, or if the club's underwriting lagged the P&I average result. We could also lower the rating if the group's risk-based capital adequacy fell consistently below our 'AAA' levels, which could occur if it saw high investment losses or rapid growth in its underwriting book.

Upside scenario

We do not anticipate raising the ratings during the next two years. Before we could consider upgrading Gard, the company would need to demonstrate considerable diversification away from the marine sector. We view this as extremely unlikely.

Key Assumptions

- Tighter financing conditions, combined with more conservative lending standards, could push many economies closer to a hard landing. Shifts in market sentiment or more revelations of hidden stress could spark renewed volatility. Geopolitical risks from the Russia-Ukraine war and U.S.-China tensions remain acute.
- Container liners' significant capacity withdrawals should help freight rates stop falling over 2023-2024, allowing shipping companies to cover recent operating cost inflation.
- Oil shipping has entered a bullish cycle due to a surge in ton mile demand and the lowest new tanker orderbook in more than 20 years, while dry-bulk shipping's charter rates are unlikely to improve before late 2023.
- Please refer to "Global Credit Conditions Q2 2023," published March 30, 2023 and "Global Shipping 2023: Containerships And Tankers Part Ways," Feb. 7, 2023.

Gard P&I (Bermuda) Ltd.--Key Metrics

	~ Dec year end~			~Feb year end~		
	2024f	2023f	2022	2022	2021	2020
S&P Global Ratings capital adequacy	AAA	AAA	AAA	AAA	AAA	AAA
Gross premium written (Mil. $)	>1000	>1000	972	1,017	938	800
Gross premium written (Mil. $)*	>1000	>1000	995	1,036	922	874
Net income (Mil. $)	~0	-	(18.0)	20.0	86.0	22
Return on shareholders' equity (%)	-	-	(1.4)	1.5	7.0	1.9
P/C: net combined ratio (%)	~100	~100	82.9	96.8	101.7	114.6

Gard P&I (Bermuda) Ltd.--Key Metrics (cont.)						
	~ Dec year end~			~Feb year end~		
	2024f	**2023f**	**2022**	**2022**	**2021**	**2020**
P/C: net combined ratio (%)*	~100	~100	81%	94%	104%	102%

Company has changed its reporting period from Feb 20 to Dec 31 for 2022 onwards. * On an ETC basis f--S&P Global Ratings' forecast. P/C--Property/casualty.

Business Risk Profile: Strong

In our opinion, Gard has the strongest competitive position among its peers in the marine insurance market. This stems from its preeminent position within the IG (which provides P&I cover to more than 90% of the world's shipping), its history of delivering sound capital and earnings, and its diversified marine offering.

Gard has a strong foothold in the P&I sector, with about one-fifth of the market share (in terms of poolable tonnage within the IG). We believe the club's strong service reputation, close relationship with members, below-average general increases, and track record of sound earnings and capital generation--which enables its policy of returning premium to members--all play a role in this. Gard's nearest IG peer in terms of scale is the newly formed NorthStandard Club, which has a comparable market share in the P&I book. We could see further consolidation in the IG, which might present a stronger challenge to Gard's dominance. Gard also stands out with its larger non-P&I premium base.

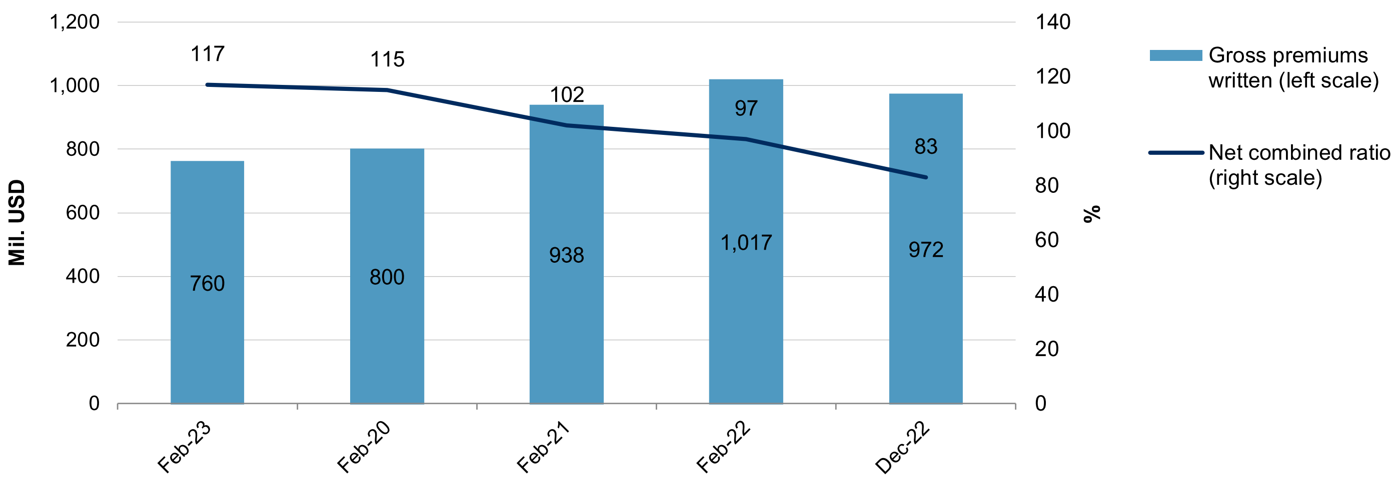
Gard has returned about $135 million of premiums to mutual members through final installment reductions (P&I clubs charge members in installments rather than one lump sum) since 2018. In fiscal 2022, the club gave its members a 5% owners' general discount, with another 5% discount expected in the next financial year for 2023 mutual policyholders. This return of premiums has been a consistent feature for Gard, so the Group also looks at Gard's premium and underwriting metrics on a basis Gard describes as an estimated total call (ETC). This means that, while for year-end 2022 Gard collected $972.1 million in premiums, on an ETC basis premiums amounted to $994.8 million. In our opinion, the return of premiums enhances member loyalty and the club's reputation in the market. We expect that Gard will continue to provide discounts to members as a way of both managing capital levels and building loyalty. We expect the owners' discount to remain around 5% over the next couple of years.

We expect that Gard will remain the most diversified member of the IG, writing both hull and marine covers alongside its core P&I offering. By offering these products, Gard has become something of a one-stop shop for marine risks and can also cross-sell. Gard has been more successful in its diversification than any other club, with both hull and energy lines having boosted results in recent years. It has also sought to produce underwriting profits in its nonmutual lines such that the total result of P&I mutual and nonmutual businesses builds capital and allows for return of excess capital through Owner General Discounts to its members. We believe Gard will maintain a close to 50-50 split between mutual and commercial business. In recent years the mutual business has made up closer to 45% of revenue but, as rate increases in the hull market slow, this could return toward 50% by 2023. However, the club remains significantly undiversified outside of its marine specialism compared to other 'A+' peers such as Lloyd's and If.

Gard will have likely seen growth in its gross premiums for the financial year 2022, above the record-breaking $1 billion written in 2021, but for the change in reporting period to December 2022 from February 2023. Unlike many of its peers, Gard no longer announces a general increase in rates for all members.

Chart 1

Gard's evolution of technical results



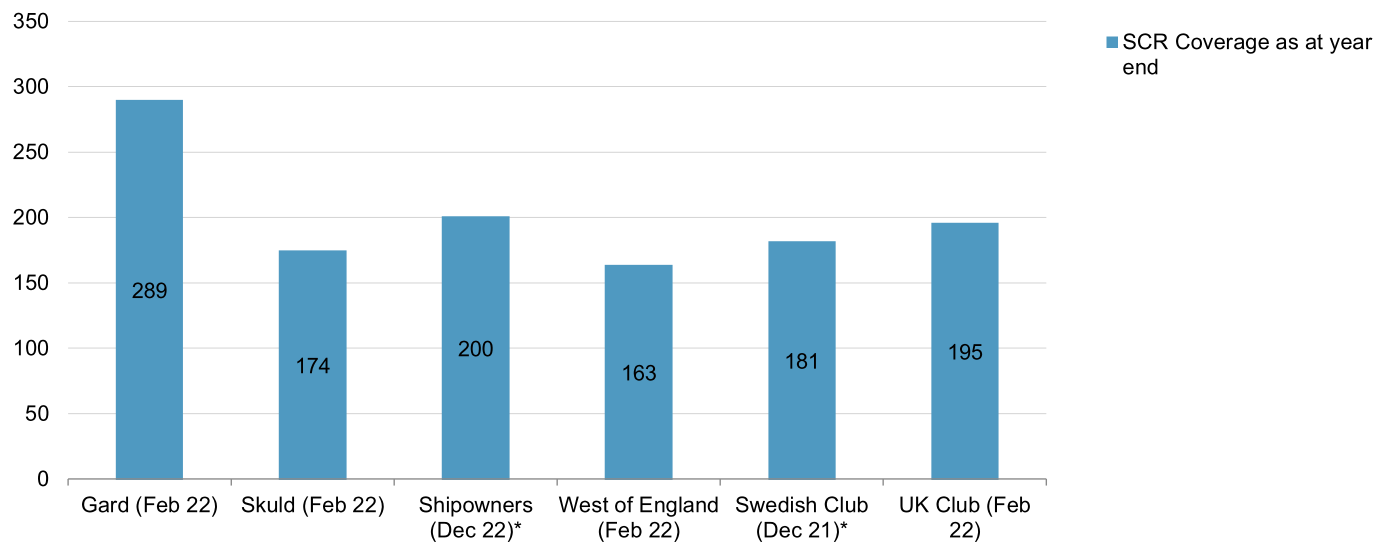
*Company has changed its reporting period from Feb. 20 to Dec. 31 from 2022 onwards. Source: S&P Global Ratings.

Financial Risk Profile: Very Strong

Gard has maintained an excess of capital above our 'AAA' benchmark for some time and we believe that, despite the challenging conditions in the P&I market, the club will sustain a reasonable surplus over the next two years. Gard also has an excess of capital on a regulatory basis and over its economic model target of 200%-300%. We expect Gard will remain among the top quartile of P&I clubs in terms of capitalization over the next two years.

Chart 2

Gard's SCR cover is the highest in the IG

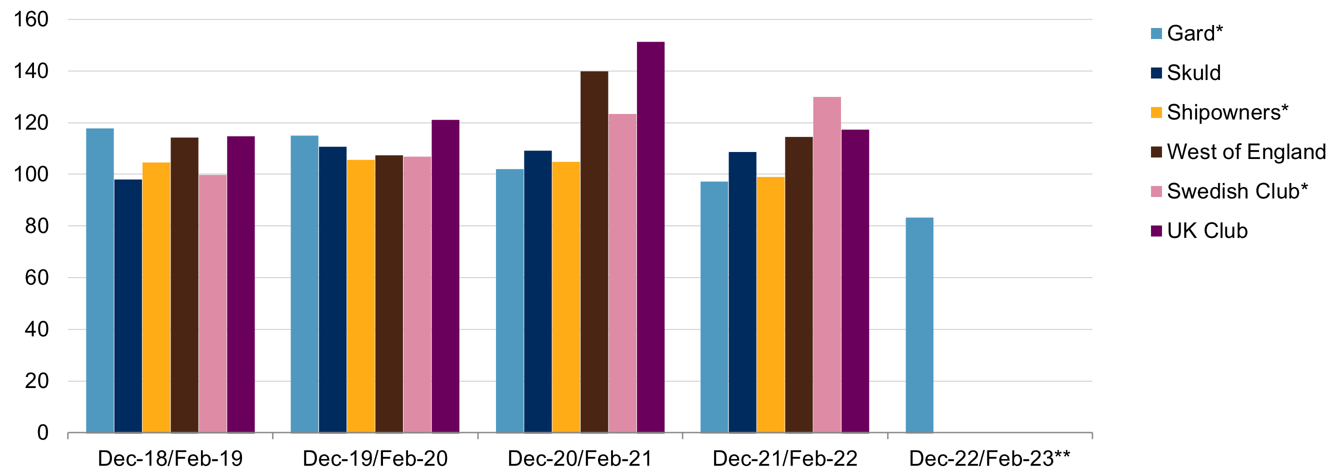


Source: S&P Global Ratings.

With an expected normalized pool experience for the next two years, Gard should record a near break-even combined ratio (loss and expense; on an ETC basis). However, we consider the possibility of net losses to be likely due to a constrained investment return because of mark-to-market losses. We view P&I as a volatile business line, with the large number of pool claims producing significant volatility in capital and earnings. However, we consider Gard less exposed than peers due to its strong track record of stable and profitable technical returns, flexibility in returning premiums to members, and strong risk controls, especially in the underwriting portfolio.

Chart 3

Underwriting performance (COR) versus peers

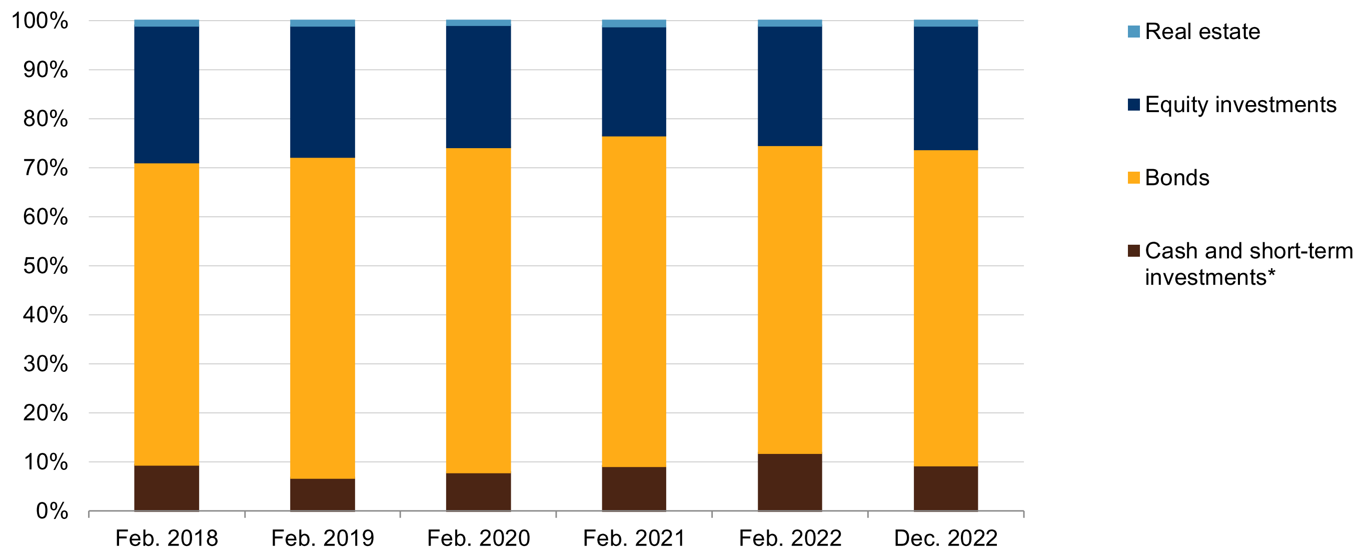


*Companies with year end as Dec 31st. **For GARD, the reporting period is from 1st Mar. till 31st Dec. Source: S&P Global Ratings.

Gard has traditionally had a higher investment risk appetite than many of its P&I peers. About 69% of its portfolio is allocated to higher-risk assets such as equity, speculative-grade bonds, and property. Still, Gard's portfolio is well spread by sector and obligor, and its large surplus of capital above our 'AAA' benchmark means the club is better positioned to withstand volatility in the capital markets than peers.

Chart 4

Investment portfolio allocation



*Includes other investments as well. Source: S&P Global Ratings.

Other Key Credit Considerations

Governance

We consider Gard's governance to be in line with that of most P&I clubs. The majority of Gard's board are shipowner members.

The club's executive team has been relatively stable in recent years, with CEO Rolf Thore Roppestad in place since 2014. In 2019, Gard appointed Christian Pritchard–Davies as CFO.

The club has a strong risk management culture with a chief risk officer and a group risk committee made up of nonexecutive directors.

Liquidity

The club's liquidity is robust and well positioned to absorb larger claims in size or frequency, mostly because of the very strong credit quality of its bond portfolio.

Group support

We assess Gard P&I (Bermuda) Ltd., Assuranceforeningen Gard - gjensidig, Gard Marine & Energy Ltd., and Gard Marine & Energy Insurance (Europe) AS, as core to the Gard group. We therefore rate these entities at the level of the overall group (A+/Stable/--).

Environmental, social, and governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence of our credit rating analysis of Gard.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Appendix

Gard P&I (Bermuda) Ltd.--Credit Key Metrics

	Dec	~Feb 20~			
US$ 000s	**2022**	**2022**	**2021**	**2020**	**2019**
S&P Global Ratings capital adequacy*	AAA	AAA	AAA	AAA	AAA
Total invested assets	2,522,873	2,555,326	2,509,462	2,306,378	2,259,843
Total shareholder equity	1,260,451	1,278,281	1,262,920	1,179,201	1,158,854
Gross premiums written	972,105	1,016,888	937,736	799,831	759,835
Net premiums written	742,230	815,029	754,298	627,163	606,127
Net premiums earned	751,629	762,702	704,213	582,615	581,208
Reinsurance utilization (%)	23.6	19.9	19.6	21.6	20.2
EBIT	-19,007	20,314	101,928	34,932	-107,687
Net income (attributable to all shareholders)	-18,390	19,546	85,920	22,125	-89,028
Return on revenue (%)	18.4	3.8	-1.4	-12.4	-16.4
Return on assets (excluding investment gains/losses) (%)	4.7	1.0	-0.3	-2.8	-3.7
Return on shareholders' equity (%)	-1.4	1.5	7.0	1.9	-7.4
P/C: net combined ratio (%)	82.9	96.8	101.6	114.6	117.3
P/C: net expense ratio (%)	12.8	14.3	11.9	14.0	24.9
P/C: return on revenue (%)	18.4	3.8	-1.4	-12.4	-16.4
Net investment yield (%)	0.4	0.2	0.0	0.4	0.1

Gard P&I (Bermuda) Ltd.--Credit Key Metrics (cont.)

	Dec	~Feb 20~			
US$ 000s	**2022**	**2022**	**2021**	**2020**	**2019**
Net investment yield including investment gains/(losses) (%)	-5.9	-0.2	4.7	5.2	-0.4

Business And Financial Risk Matrix

Business risk profile	**Financial risk profile**							
	Excellent	**Very Strong**	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	**a+/a**	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of April 14, 2023)*

Operating Company Covered By This Report	
Gard P&I (Bermuda) Ltd.	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
Domicile	Bermuda

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.