

# Assuranceforeningen Gard - gjensidig -

## Statement of comprehensive income

Amounts in USD 000's	Q2		YTD 20.08.	
	Current year 21.05.-21.08.17	Previous year 21.05.-21.08.16	Current year 21.02.-20.08.17	Previous year 21.02.-20.08.16
<b>Technical account</b>				
Gross earned premium	45,341	48,650	89,392	96,478
Ceded reinsurance	(20,721)	(22,263)	(40,697)	(43,947)
<b>Earned premium for own account</b>	<b>24,619</b>	<b>26,387</b>	<b>48,694</b>	<b>52,531</b>
<b>Other insurance related income</b>	<b>49</b>	<b>23</b>	<b>99</b>	<b>39</b>
Gross incurred claims	29,901	37,129	43,196	69,890
Reinsurers' share of gross incurred claims	(7,209)	(12,624)	(314)	(26,269)
<b>Claims incurred for own account</b>	<b>22,692</b>	<b>24,506</b>	<b>42,882</b>	<b>43,621</b>
Acquisition costs	1,480	1,465	3,222	3,030
Agents' commission	1,272	2,508	3,339	4,701
Commission received	(2,061)	(2,456)	(4,253)	(4,841)
<b>Insurance related expenses for own account</b>	<b>691</b>	<b>1,517</b>	<b>2,308</b>	<b>2,890</b>
<b>Other insurance related expenses</b>	<b>298</b>	<b>144</b>	<b>649</b>	<b>405</b>
<b>Technical result</b>	<b>987</b>	<b>244</b>	<b>2,953</b>	<b>5,653</b>
<b>Non-technical account</b>				
Interest and similar income (cost)	609	1,429	2,129	2,373
Change in unrealised gain on investments	1,518	2,982	3,597	8,563
Gain/(loss) on realisation of investments	779	90	1,730	(1,022)
Investment management expenses	(170)	(199)	(337)	(255)
<b>Non-technical result</b>	<b>2,737</b>	<b>4,301</b>	<b>7,119</b>	<b>9,659</b>
<b>Profit before tax</b>	<b>3,724</b>	<b>4,545</b>	<b>10,072</b>	<b>15,312</b>
Taxation	1,040	100	5,267	(313)
<b>Net result</b>	<b>2,684</b>	<b>4,445</b>	<b>4,806</b>	<b>15,625</b>
<b>Other comprehensive income/(loss)</b>				
Remeasurement due to change in pension assumptions	0	0	0	0
<b>Total comprehensive income/(loss)</b>	<b>2,684</b>	<b>4,445</b>	<b>4,806</b>	<b>(15,625)</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.17	As at 20.02.17
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	51,861	39,531
Bonds	195,811	174,286
Financial derivative assets	636	953
Other financial investments	30,958	24,910
<b>Total investments</b>	<b>279,266</b>	<b>239,680</b>
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<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	40,281	43
Reinsurers' share of gross claims reserve	248,689	279,217
<b>Total reinsurers' share of technical provisions</b>	<b>288,970</b>	<b>279,260</b>
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<b>Receivables</b>		
Policyholders	74,802	12,665
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations - group companies	2,955	3,088
<i>Other receivables</i>		
Other receivables	13	9
Other receivables - group companies	601	184
<b>Total receivables</b>	<b>78,370</b>	<b>15,946</b>
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<b>Other assets</b>		
Equipment	2,201	2,201
Cash and cash equivalents	51,917	48,295
Other financial assets	1,941	1,838
<b>Total other assets</b>	<b>56,059</b>	<b>52,334</b>
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<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	5,892	1,308
<b>Total prepayments and accrued income</b>	<b>5,892</b>	<b>1,308</b>
<b>Total assets</b>	<b>708,557</b>	<b>588,528</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.17	As at 20.02.17
<b>Equity and liabilities</b>		
<b>Equity</b>		
Other equity	114,119	109,313
<b>Total equity</b>	<b>114,119</b>	<b>109,313</b>
<b>Technical provisions</b>		
Gross premium reserve	85,980	128
Gross claims reserve	407,946	431,259
<b>Total technical provisions</b>	<b>493,927</b>	<b>431,387</b>
<b>Provision for other liabilities</b>		
Pension obligations	1,821	1,842
Deferred tax	14,482	10,553
<b>Total provisions for other liabilities</b>	<b>16,303</b>	<b>12,395</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	17,705	6,570
Payables arising out of reinsurance operations	25,282	0
Payables arising out of reinsurance operations - group companies	107	1,000
Financial derivative liabilities	801	512
Other payables	35,957	26,694
<b>Total payables</b>	<b>79,851</b>	<b>34,776</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	4,357	657
<b>Total accruals and deferred income</b>	<b>4,357</b>	<b>657</b>
<b>Total liabilities</b>	<b>594,438</b>	<b>479,215</b>
<b>Total equity and liabilities</b>	<b>708,557</b>	<b>588,528</b>

# Assuranceforeningen Gard - gjensidig - Statement of changes in equity

Amounts in USD 000's	Other equity	Total
<b>Equity as at 21.02.2016</b>	<b>93,510</b>	<b>93,510</b>
Net result	15,897	15,897
Remeasurement due to change in pension assumptions	(94)	(94)
<b>Equity as at 20.02.2017</b>	<b>109,313</b>	<b>109,313</b>
<b>Equity as at 21.02.2017</b>	<b>109,313</b>	<b>109,313</b>
Net result	4,806	4,806
Remeasurement due to change in pension assumptions	0	0
<b>Equity as at 20.08.2017</b>	<b>114,119</b>	<b>114,119</b>

# Assuranceforeningen Gard - gjensidig -

## Cash flow analysis

Amounts in USD 000's	21.02.17 to 20.08.17	21.02.16 to 20.08.16
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	10,072	15,351
Tax paid	(5,267)	313
Change in unrealised gain/(loss) on investments	2,129	2,373
Change in pension obligation	3,908	(239)
Change in receivables and payables	(17,349)	(50,928)
Change in technical provisions and other accruals	51,843	63,848
Purchase/sale of other investments	(41,715)	(9,889)
<b>Net cash flow from operating activities</b>	<b>3,621</b>	<b>20,828</b>
<b>Cash flow from investment activities</b>		
Disposal of equipment	0	0
Investment in equipment	0	0
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
Net change in cash and cash equivalents	3,622	20,828
Cash and cash equivalents at beginning of period	48,295	30,908
<b>Cash and cash equivalents at end of period</b>	<b>51,917</b>	<b>51,736</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 1. Accounting Policies

#### Corporate information

Assuranceforeningen Gard - gjensidig - is a mutual insurance association registered with the Norwegian Companies Register (organisation number 939 717 609). The registered office of the Association is Kittelsbuktveien 31, 4836 Arendal. The Association is licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. As a mutual insurance association costs insurances. As a mutual insurance association the Association is owned by its Members being the owners and charterers of the ships from time to time insured by the Association for Protection and indemnity (P&I) risks. There are no external capital owners.

The principal activities of the Association are; the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance 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, and management of assets covering the technical provisions.

The Members of the Association are also Members of Gard P. & I. (Bermuda) Ltd. and vice versa.

The Association has established a branch in UK as from 21.02.2017 in addition to the other branches in Hong Kong and Japan.

Assuranceforeningen Gard - gjensidig- is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Ltd in Bermuda.

#### Basis of preparation of the Accounts

The quarterly accounts include the activity from 21 February 2017 to 20 August 2017.

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 general insurance companies approved by the Norwegian Ministry of Finance.

As a result of change in Norwegian accounting regulations for insurance companies, the Association applied the following changes to accounting principles in 2016:

*Contingency reserve was reclassified to other equity. Related deferred tax liability was recognized as applicable depending on tax jurisdiction.* As a result, the Statement of comprehensive income no longer includes the line item "change in contingency reserve".

Gross written premium and changes in gross premium reserve are presented net as Gross earned premium, while Gross settled claims and Change in gross claims reserve are presented net as Gross incurred claims.

Comparative information has been restated accordingly.

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway (FSA) the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.08.2017 have not been audited.

#### Use of accounting estimates when preparing the accounts

The preparation of the accounts requires management to make estimates and assumptions that affect 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. Standard actuarial methods are used in estimating the total cost of outstanding claims. The actuarial method uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 2. Related party transactions

#### Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 per cent of Gard P. & I. (Bermuda Ltd.) risks that are not reinsured elsewhere (15 per cent for policy years up to and including 2009).

The Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere (85 per cent for policy years up to and including 2009).

The Association has entered into a stop loss reinsurance agreement protecting the former against and 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 Hydra, which is a segregated accounts company. The Association's segregated account (cell) in Hydra is covering the former comny's liability to a layer of the International Group (IG) Pool and retention in the first market excess layer.

#### Insurance agency agreements

The Association has entered into an insurance agency agreements with Gard AS, a company owned by Gard P. & I. (Bermuda) Ltd. being the general agent, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association. The Association has entered into agreements with the subsidiaries of Gard AS for services rendered to the Association.

### Note 3. Capital requirements

Amounts in USD 000's	As at <b>20.08.17</b>	As at <b>20.02.17</b>
<b>Own funds</b>		
Share premium account	114,119	0
Reconciliation reserve	(5,374)	105,148
<b>Excess of assets over liabilities</b>	<b>108,745</b>	<b>105,148</b>
Tier 1 - Unrestricted	108,745	105,148
<b>Total basic own funds / (equal to Excess of assets over liabilities)</b>	<b>108,745</b>	<b>105,148</b>
Tier 2 - Supplementary calls	212,185	205,509
<b>Total ancillary own funds</b>	<b>212,185</b>	<b>205,509</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 3. Capital requirements continues

Amounts in USD 000's	As at <b>20.08.17</b>	As at <b>20.02.17</b>
Total available own funds to meet the SCR	320,929	310,657
Total available own funds to meet the MCR	108,745	105,148
Total eligible own funds to meet the SCR	159,784	154,239
Total eligible own funds to meet the MCR	108,745	105,148
SCR	102,079	98,181
MCR	31,578	27,329
<b>Ratio of eligible own funds to SCR</b>	<b>157 %</b>	<b>157 %</b>
<b>Ratio of eligible own funds to MCR</b>	<b>344 %</b>	<b>385 %</b>
<b>Minimum Capital Requirement (MCR)</b>		
Linear MCR	31,578	27,329
SCR	102,079	98,181
MCR cap (45% of SCR)	45,935	44,181
MCR floor (25% of SCR)	25,520	24,545
Combined MCR	31,578	27,329
Absolute floor of the MCR	4,050	4,050
<b>MCR</b>	<b>31,578</b>	<b>27,329</b>
<b>Solvency Capital Requirement (SCR)</b>		
Market risk	36,421	30,352
Counterparty default risk	16,945	17,286
Non-life underwriting risk	80,635	77,260
Diversification	(46,348)	(39,038)
<b>Basic SCR</b>	<b>87,653</b>	<b>85,860</b>
<b>Calculation of SCR</b>		
Operational risk	14,426	12,321
<b>SCR</b>	<b>102,079</b>	<b>98,181</b>

The Board of Directors  
**ASSURANCEFORENINGEN GARD -gjensidig-**

fredag 22. september 2017

\_\_\_\_\_  
Trond Eilertsen  
Chairman

\_\_\_\_\_  
Jane Sy  
Deputy-chairman

\_\_\_\_\_  
Yngvil Eriksson Åsheim

\_\_\_\_\_  
Morten W. Høegh

\_\_\_\_\_  
Ian Beveridge

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Rolf-Thore Roppestad  
Managing Director