



# HIGHLIGHTS

As at 20 August

## GROSS WRITTEN PREMIUM

USD MILLIONS, ETC BASIS

	2012	2013
	<b>724</b>	<b>787</b>

## COMBINED RATIO

PERCENTAGE, ETC BASIS

	2012	2013
	<b>105</b>	<b>94</b>

## AFTER TAX RESULT

USD MILLIONS, ETC BASIS

	2012	2013
	<b>-11</b>	<b>18</b>

## GENERAL CONTINGENCY RESERVE

USD MILLIONS

	20.2.2013	20.8.2013
	<b>895</b>	<b>909</b>

## TOTAL ASSETS

USD BILLIONS

	20.2.2013	20.8.2013
	<b>2.5</b>	<b>2.9</b>

# CHIEF EXECUTIVE'S OPERATIONAL REVIEW



**“Gard has seen a strong operational performance across the business”**

Svein Buvik, *Acting Chief Executive Officer*

The first half of this year has been dominated by the tragic death of Claes Isacson – CEO of Gard since 2001. I would like to take this opportunity to thank all of you for the condolences that you have shared with us and his family, and for your support during what has been a difficult time – both personally and professionally.

Despite this, I am pleased to report a good result for the first half year (ending 20 August 2013). Gard has seen a strong operational performance across the business, while the investment result reflects the ongoing low interest rate environment and movements in the financial markets.

Our combined net ratio was 94 per cent, and the group recorded a result after tax of USD 18 million. Overall the performance has been strong, with P&I results benefiting from an absence of severe claims in this financial year. Gross written premium increased by 9%, with P&I seeing better development than marine and energy, where pressure on rates and the continued decrease in the insured values of vessels have held back growth in premiums. The investment return was low at 0.2%, reflecting a market significantly impacted by the ongoing low interest rate environment and volatility.

However, we are only part way through the year; casualties across the industry continue and we are about to head into winter in the northern hemisphere. So, our job will be to plot the steadiest course as we move forward.

## Underwriting & claims

We are pleased to say that the current underwriting year is progressing well across all lines of business. The underlying portfolio is very healthy. We have also made good progress in the market – adding some hull accounts and making tonnage gains on P&I. However, the summer saw a challenging renewal season for M&E with plenty of capacity and competition to contend with. Despite this, we were able to attract some major fleets as P&I Members decided to place their Hull & Machinery and Loss of Hire covers with us.

The run up to the P&I renewal is well underway, and – as always – we will be looking to balance our financial stability and the need for the right technical rating, with the long-term support we offer to our Members and clients.

The larger claims that occurred in 2012 are mostly being resolved successfully. By bringing together the skills and expertise of our marine and P&I claims handlers, we have been able to meet the challenge of periods of high claims activity as well as taking the opportunity to enhance our knowledge and experience in handling complex casualties.

### Organisational developments

In early September 2013, Gard was granted a license to write reinsurance business in Brazil and has now opened an office in Rio de Janeiro. This is just the latest step in our strategy to offer first-class service wherever we are needed, and to develop in the emerging markets that are key for our Members and clients.

Our commitment to service was also demonstrated by the launch of the latest publication in our "Gard Guidance" series – the Guidance on Maritime Claims and Insurance. This publication is written with the claims' manager in mind, offering practical assistance in the event of a maritime incident – whether large or small. Richard Williams, a professor of law at Swansea University has pulled together a genuinely holistic view of claims' management. However, as with all of these books it is a real team effort from many people at Gard, but special thanks must go to Kjetil Eivindstad, Nick Platt, Christen Guddal and Randi Gaughan for making it happen.

### Looking forward

In August, we announced that Bengt Hermelin of Samco Shipholding Pte. Ltd in Singapore, had been elected as Chairman of the Board of Directors of Gard P. & I. (Bermuda) Ltd and Mr. Kenneth Hvid of Teekay Shipping (Canada) Ltd, Vancouver, as its Deputy Chairman. We would like to thank Stephen Pan for the time and energy he has given Gard since he took up the post in 2004. His tenure coincided with a fascinating journey of development for the organisation, and his leadership has been a key part in building the business that we have today.

**"We will be looking to balance financial stability with long term support for clients and Members"**

There is no doubt that this is a period of transition for the organisation – but for everyone here, it is very much business as usual. We have an active programme of external events planned for the coming months, and we look forward to seeing many of you at our Gard evenings around the world. We also continue to make significant investments to improve our quality processes so we are delivering services as efficiently and effectively as possible. As we move through the second half of the year, we look forward to talk to our Members and clients to gain a greater understanding of the issues they face in the context of current market conditions.

# GARD P. & I. (BERMUDA) LTD

## Summary consolidated income and expenditure accounts

Amounts in USD 000s

	21.02.13 to 20.08.13	21.02.12 to 20.08.12
Premiums earned gross*	461,656	431,311
Premiums earned net	371,836	344,897
Other insurance related income	1,906	450
Claims costs net**	302,517	298,300
Operating expenses	49,829	64,205
<b>Result on technical account</b>	<b>21,396</b>	<b>(17,158)</b>
<b>Result on non-technical account</b>	<b>(3,338)</b>	<b>6,514</b>
<b>Surplus / (deficit)</b>	<b>18,058</b>	<b>(10,644)</b>
<b>Combined Ratio Net (CRN)</b>	<b>94%</b>	<b>105%</b>

\* Premiums earned gross include one half of estimated total calls for the P&I business and gross earned premium for the marine and energy business.

\*\* Claims handling costs share of operating expenses are included in claims costs net.

# GARD P. & I. (BERMUDA) LTD

## Summary consolidated balance sheet

Amounts in USD 000s

	As at 20 August 2013	As at 20 February 2013
Investments at market value	1,908,426	1,906,037
Reinsurers' share of technical provisions	328,429	236,829
Cash and equivalents	270,424	143,882
Other assets	391,621	244,626
<b>Total assets</b>	<b>2,898,900</b>	<b>2,531,374</b>
Gross unearned premium reserve	370,114	161,708
Gross provision for outstanding and unreported claims	1,351,978	1,344,151
General contingency reserve	909,424	894,792
Other liabilities	267,384	130,723
<b>Total equity and liabilities</b>	<b>2,898,900</b>	<b>2,531,374</b>

# GARD P. & I. (BERMUDA) LTD

## Income and expenditure account on lines of business

Amounts in USD 000s

	P&I As at 20.08.13	M&E As At 20.08.13	Consolidated accounts As at 20.08.13
Premiums earned gross	302,588	159,068	461,656
Premiums earned net	233,615	138,221	371,836
Claims costs net*	197,622	104,895	302,517
Operating expenses	23,756	24,167	47,923
Result on technical account	12,237	9,159	21,396
Result on non-technical account	(7,393)	4,055	(3,338)
Result ordinary operations	4,844	13,214	18,058
Combined ratio net	95%	93%	94%

\* Claims handling costs share of operating expenses net are included in claims costs net.

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