FINANCIAL STATEMENTS 2020

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

for the year to 20 February 2020

Gard Marine & Energy Insurance (Europe) AS
Board of Directors' Report

INTRODUCTION

The Board of Directors hereby submits the report and accounts of Gard Marine & Energy Insurance (Europe) AS for the 2020 financial year, covering the 12 month period to 20 February 2020. This is Gard Marine & Energy Insurance (Europe) AS (the "Company") sixth year of operation.

In the opinion of the Board of Directors the report and accounts for the year to 20 February 2020 gives a true and fair picture of the Company and its activities and result.

The Company is complying with all statutory solvency and capital requirements.

Beyond what has been dealt with in this report, and the risks and uncertainties the marine insurance industry in general is faced with, the Board of Directors does not consider there to be any special risks or uncertainties connected to the business activities of the Company.

The Company is a wholly owned subsidiary of Gard Marine & Energy Limited and a part of the Gard group (the "group") where Gard P. & I. (Bermuda) Ltd. is the ultimate owner.

THE OPERATION IN GENERAL

<u>Marine & Energy insurance</u>

The Company is a joint stock company established in Arendal on 26 June 2014. As from 1 January 2015, the Company has offered marine and energy insurance to its customers in countries where there is a requirement that the insurer is domiciled within the European Union/European Economic Area. The customers are shipowners, shipyards, contractors and oil companies.

<u>The Company's branch office in Finland</u>

The Company established a branch office in Finland early in the financial year 2021. The branch is established in Finland as a branch of an Overseas Firm in accordance with the EU rules for Free Movement of Services.

<u>The Company's branch office in the United Kingdom</u>

Gard Marine & Energy Insurance (Europe) AS has established a branch in the United Kingdom. The branch is established in the United Kingdom as a branch of an Overseas Firm in accordance with the EU rules for Free Movement of Services. Due to Brexit the Company would need to apply for a separate license in the United Kingdom when the transitional period cease.

<u>Gard AS</u>

Gard AS is the general agent for the Company. All insurance products are offered through Gard AS on basis of delegation of authority. Gard AS is registered as insurance agent for Gard P. & I. (Bermuda) Ltd, Assuranceforeningen Gard - gjensidig -, Gard Marine & Energy Limited (the Norwegian branch of the parent company), and the Company in accordance with the Norwegian legislation on insurance intermediary activities based on the EU insurance mediation directive.

Gard AS has offices in Arendal, Bergen and Oslo. Further, Gard AS has wholly owned subsidiaries in London (Gard (UK) Limited), New York (Gard (North America) Inc.), Hong Kong (Gard (HK) Ltd), Helsinki (Oy Gard (Baltic) Ab), Piraeus (Gard (Greece) Ltd), Tokyo (Gard (Japan) K.K.) and Singapore (Gard (Singapore) Pte. Ltd). The subsidiaries main function is to be the local representative of the parent company.

<u>Personnel and organisation</u>

As a result of the appointment of Gard AS the agent of the Company there are at the end of the year only 13 persons employed in the Company. These persons include, inter alia, the Managing Director, the Legal Director (Company Secretary) and the Accounting Manager.

In the period from 21 February, 2019 to 20 February, 2020 the level of absence due to sickness has been below the corresponding average in the insurance industry. The total number of days of absence due to sickness corresponded to a percentage of 0.13 percent against 5.9 percent for the insurance industry in general. The organisation is focusing on preventing occupational injuries as a result of long time use of PCs and other office equipment. There have been no injuries or accidents in connection with the operations.

The Company's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith.

The working environment in the Company has in the period to 20 February 2020 been good.

<u>Environmental impact</u>

The Company is an insurance provider and the environmental footprint is therefore limited as the products, in the form of insurance cover, do not have an environmental impact. The Company's impact on climate and the environment is therefore primarily connected to business travel made by the limited number of staff.

In respect of Gard's own operations and reduction of emissions, there is an increased focus on reducing air travels for internal meetings by more extensively using Skype and Microsoft Teams meetings for this purpose.

Gard has an extensive loss prevention program which forms part of the services provided to principals' Members and clients. Through the loss prevention products, such as Gard Alerts, Circulars, Case Studies and conferences and seminars, Gard can provide information on pollution prevention and highlight actions that can be taken to lessen any impact on the environment.

United Nations Sustainable Development Goals ("SDG") framework integrated to operations

A framework for work with sustainability has been established, which ensure a corporate approach to sustainable business operations in line with internationally recognized principles and guidelines, expectations from the members and clients, as well as society at large.

As a part of this, internal policies, governance structures and public commitments have been approved and implemented in the organisation. Gard is committed to Agenda 2030 and use the United Nations SDG's as framework, when defining the ambitions and targets for running a sustainable business. Gard is also a signatory to the ten principles of the United Nations Global Compact and The Principles for Sustainable Ocean Business.

Gard is a responsible investor and continue to increase the focus on sustainable investments in its portfolio. One "global impact" portfolio has been established, focusing on equity investments that are aligned with the ambitions set out in the UN Sustainable Development Goals. Gard fully supports the UN Principles of Responsible Investment and actively encourage the principals' fund managers to sign up to them. These Principles recognise that long term sustainable returns are dependent on stable, well-functioning and well governed social, environmental and economic systems.

Decarbonisation

Gard is a signatory to the Call to Action for CEO's and maritime industry leaders in support of decarbonisation. The goal is to help the maritime industries mitigate their operational risks and its consequences following the shared goal to reduce emissions from vessels by 50 percent within 2050.

Ship recycling

Gard actively encourage and support ship recycling according to the Hong Kong convention or EU Ship Recycling Regulation.

<u>Research and development</u>

The Company does not carry out research and development activities.

FUND MANAGEMENT

A major part of the Company's investment portfolio is invested through an Irish Unit Trust Fund structure. The investment structure represents a common legal framework for the management of the funds belonging to the following risk carriers in the Gard group: Assuranceforeningen Gard - gjensidig -, Gard P. & I. (Bermuda) Ltd, Gard Marine & Energy Limited, Gard Marine & Energy Insurance (Europe) AS and Gard Reinsurance Co Ltd. The objective of the investment structure is saving of management costs and optimizing the total returns within the investment guidelines. The portfolio managers in the Unit Trust structure are all specialists within the class of assets the individual manager has been given a mandate to manage.

The general investment guidelines for the management of the funds of the Company are determined by the Board of Directors. The general guidelines determined by the Board of Directors contains the overall risk limits with regards to the investments, such as the types of financial instruments that can be used, as ranges within certain asset classes. Each portfolio manager employed shall not manage more than 30 percent of the total fund. The guidelines permit also investments in real estate funds, futures, options and other derivatives for the purpose of improving risk management, efficiency and liquidity of the portfolio. The individual portfolio manager's mandate is composed on the basis of an index enabling the Company to measure the individual manager's performance against a benchmark.

The Administration reports on the performance and composition of the portfolio at each Board of Directors meeting. For each meeting, a compliance report is produced showing whether there are non-conformities in relation to the investment guidelines.

In the view of the Board of Directors the Association's investments can be described as having a medium risk profile.

INSURANCE BUSINESS

<u>Market share</u>

At the inception of the accounts for the year 2020, the global market share for the parent company Gard Marine & Energy Limited including its subsidiaries was 6.2 percent for the business area Marine and 3.5 percent for the business area Energy. At the end of the year the market share for Marine was 7,1 percent, whilst the market share for Energy remained unchanged. The increase in market share for the business area Marine is partly due to increase in fronting agreements.

<u>Reinsurance</u>

The insurance activities of the Company is reinsured in the commercial reinsurance market. The retention for any one event any one vessel was in accounts for the year to 20 February 2020, USD 40 million.

The Company has entered into a separate reinsurance treaty with its parent company. The reinsurance treaty covers a proportion of the risks retained under the above market reinsurance arrangements. Pursuant to this separate reinsurance treaty 70 percent of the insurance liabilities of the Company not covered by the market reinsurance arrangements was ceded to the parent company as reinsurance in the accounts for the year to 20 February 2020.

FINANCIAL RISK

The regulatory solvency capital requirement for the Company was USD 36 million, up 3 percent from last year.

<u>Insurance risk</u>

The Company offers marine and energy insurance products on a commercial basis to shipowners and operators within the international oil and gas industry. The Company is ceding 70 percent through a quota share agreement to Gard M&E Ltd.

The Company has the benefit of Gard group's external reinsurance programs in addition to the internal reinsurance contracts. Insurance risk is down from last year.

Insurance risk is down from last year. The change in insurance risk is due to a reduction in premium risk which is somewhat offset by changes in the method of calculating standard deviation for reserve risk.

A set of extreme events for insurance risk have been identified and the realistic possible loss to the Company has been calculated. The highest insurance loss for own account from the identified extreme events is USD 15 million, which is 37 percent of the Company's equity.

Reverse stress testing has been conducted. A net insurance loss of USD 17 million will endanger the Company's solvency. This corresponds to 1.4 losses in excess of USD 40 million.

Market risk

Market risk increased last year due to an increase in currency risk and a reduction in diversification.

According to market risk stress tests, the highest estimated market loss to the Company is USD 2 million due to a risk premium shock.

A reverse stress test showed that a market loss of USD 22 million would endanger the Company's solvency. This loss represented 45 percent of the initial value of the investment portfolio.

Counterparty default risk

The main sources of counterparty default risk are the parent company Gard Marine & Energy Limited, reinsurers, cash deposits at banks and receivables from policyholders. The Company is also exposed to counterparty default risk on claims recoveries, claims paid for co-insurers and fronting for direct insurers. Counterparty default risk on securities is included in market risk.

The main reinsurer of the Company is Gard Marine & Energy Limited, which covers 70 percent all risks undertaken not reinsured elsewhere. The counterparty exposure against the intra-group reinsurer is large compared to the overall operation and the capitalization.

Liquidity risk

The duration of investable assets shall meet the pay-out profile of the Company's liabilities. The investable assets consist of a liquid portfolio that can be liquidated in a short period of time. The liquidity risk is deemed low.

Operational risk

The operational risk of the Gard group is assessed annually through the internal self-assessment. Results of the self-assessment are used to manage operational risk and to quantify the internal operational risk charge. Operational risk for the Company was slightly up from last year.

Capital and solvency position

The Company is complying with all statutory solvency and capital requirements.

The parent company, Gard Marine & Energy Limited, is well capitalized and able to inject capital in the Company in the event this would be required to meet strategic goals. A capital injection of USD 9.7 million was made in the financial year 2020.

ACCOUNTS FOR THE YEAR 2020

The Company has been granted dispensation by the Norwegian Financial Supervisory Authority and the Tax Authority from the requirements to present the annual accounts in Norwegian currency and in the Norwegian language. In accordance with this the annual accounts are presented in United States Dollar (USD) and in the English language. Comparing figures as per 20 February 2019 are included in brackets.

Result

The net result was a loss of USD 8.2 million (loss of USD 4.0 million).

The technical result was a loss of USD 10.4 million (loss of USD 3.1 million).

Premiums

The gross earned premium in the year ending 20 February 2020 was USD 95.5 million (USD 86.2 million). Earned premium for own account was USD 25.2 million (USD 20.9 million) and above plan. The increase is due to premium growth and hardening of rates.

Claims

Gross incurred claims during the period was USD 100.4 million (USD 94.6 million). Net incurred claims for own account was USD 34.3 million (USD 22.3 million). The company has been hit by more claims than expected during the year.

Non-technical result

The non-technical result derived from assets was a profit of USD 0.3 million in the year ending 20 February 2020 (loss of USD 0.8 million).

Total equity

Total equity has increased to USD 50.7 million (USD 49.2 million). This includes a paid in capital of USD 9.7 million from the parent company. The equity shall meet unforeseen fluctuations in claims exposure, possible catastrophes, extraordinary claims patterns that fall within the Company's liabilities and to meet capital requirements

Technical provisions

As at 20 February 2020 the Company's net premium reserve was USD 14.3 million (USD 12.6 million) as provision for the part of agreed premium written that exceeds the end of the financial year.

As at 20 February 2020 the Company's net provision to cover reported and unreported claims amounted to USD 28.8 million (USD 19.7 million).

The Board of Directors are of the opinion that the equity and technical provisions are sufficient to cover all technical liabilities for year to 20 February 2020 and earlier.

Cash flow analysis

The Company's bank deposit as of 20 February 2020 amounted to USD 8.5 million (USD 10.7 million). Net cash flows from operating activities consist primarily of incoming payments in the form of premiums and outgoing payments in the form of claims and operating expenses. Operating liquidity (cash) is balanced by transfers to and from the investment portfolio.

CONTINUED OPERATION AND THE FUTURE DEVELOPMENT

On 11 March 2020, the World Health Organization named the COVID-19 virus as a pandemic, following which, inter alia, many global financial markets experienced heavy losses due to the uncertainty surrounding the world-wide spread of the virus. In relation to the COVID-19 pandemic, there has been a need to make adjustments to the operation of the company and staff in the insurance intermediaries have been set up with equipment enabling them to work remotely from home. Internal and external meetings and communications have been done via telephone/video link. The changes have not had an adverse effect on the ability to run the company. The company's financial situation is monitored closely, not only the development of the market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. The management are taking steps to manage the adverse financial and operational effects.

Against this background and pursuant to the Norwegian Accounting Act of 1998, section 3-3a, the Board of Directors is of the opinion that it is basis for continued operation of the company. The year-end accounts are based on these premises.

GOVERNING CORPORATE BODIES

The Board of Directors of the Company are composed as shown on page 1.

Board of Directors

Trond Eilertsen and Jane Sy shall retire by rotation at the forthcoming Annual General Meeting but can be re-elected.

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The Board of Directors wishes to express its gratitude to customers, business associates and correspondents for their participation and support to the Company, and thanks all employees of Gard AS for their loyalty and interest throughout the year.

Arendal, 28 April 2020

Board of Directors
Gard Marine & Energy Insurance (Europe) AS

Trond Eilertsen Chairman	Jane Sy	Ian Beveridge
Nils Aden	Yngvil Åsheim	Rolf-Thore Roppestad Managing Director

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Technical account			
Gross written premium	4,5	98,135	90,522
Gross earned premium	5	95,524	86,152
Ceded reinsurance	5	(70,351)	(65,245)
Earned premium for own account		**25,173**	**20,907**
Other insurance related income		**47**	**67**
Gross incurred claims	5	100,382	94,556
Reinsurers' share of gross incurred claims	5	(66,041)	(72,214)
Claims incurred for own account		**34,341**	**22,341**
Acquisition costs	7	5,962	6,048
Agents' commission	7	11,480	9,893
Commission received	7	(16,929)	(14,867)
Insurance related expenses for own account		**513**	**1,074**
Other insurance related expenses		**804**	**659**
Technical result		**(10,438)**	**(3,099)**
Non-technical account			
Interest and similar income/(expenses)	8	(461)	(1,095)
Change in unrealised gain/(loss) on investments		494	1,308
Gain/(loss) on realisation of investments	10	229	(1,020)
Other investment expenses		(3)	0
Non-technical result		**258**	**(807)**
Profit / (loss) before tax		**(10,179)**	**(3,907)**
Taxation	9	(1,958)	80
Net result		**(8,221)**	**(3,987)**
Other comprehensive income/loss			
Other comprehensive income/(loss), net of tax		0	0
Total comprehensive income/(loss)		**(8,221)**	**(3,987)**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.20	As at 20.02.19
Assets			
Investments			
Financial investments at fair value through profit or loss			
Equities and investment funds	10, 11	2,475	2,285
Interest-bearing securities and funds	10, 11	44,223	37,800
Other financial investments	10, 11	1	4
Total investments		**46,699**	**40,088**
Reinsurers' share of technical provisions			
Reinsurers' share of gross premium reserve	5, 11	34,382	33,429
Reinsurers' share of gross claims reserve	5, 11	79,378	79,107
Total reinsurers' share of technical provisions		**113,760**	**112,536**
Receivables			
Receivables from direct insurance operations			
Policyholders	11, 12	1,200	1,135
Intermediaries	11, 12	57,767	52,091
Receivables from reinsurance operations			
Receivables from reinsurance operations	11	2,489	1,914
Receivables from reinsurance operations - group companies		7,579	5,791
Other receivables			
Other receivables		10	9
Other receivables from group companies		48	56
Total receivables	11	**69,093**	**60,997**
Other assets			
Cash and cash equivalents	11, 13	8,538	10,670
Deferred tax asset	9	2,223	0
Total other assets		**10,761**	**10,670**
Prepayments and accrued income			
Accrued income and other prepayments		6,402	5,767
Total prepayments and accrued income		**6,402**	**5,767**
Total assets		**246,715**	**230,059**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.20	As at 20.02.19
Equity and liabilities			
Equity			
Statutory reserve	14	53,183	43,449
Other equity		(2,504)	5,717
Total equity		**50,680**	**49,166**
Technical provisions			
Gross premium reserve	5, 11	48,686	46,075
Gross claims reserve	5, 11	108,189	98,814
Total technical provisions	5, 11	**156,876**	**144,889**
Provisions for other liabilities			
Income tax payable	9, 11	0	23
Deferred tax	9	0	1,127
Total provisions for other liabilities		**0**	**1,149**
Payables			
Payables arising out of direct insurance operations		3,271	3,601
Payables arising out of reinsurance operations		1,512	528
Payables arising out of reinsurance operations - group companies		24,409	21,570
Payables to group companies		209	273
Other payables		307	173
Total payables	11	**29,709**	**26,145**
Accruals and deferred income			
Accruals and deferred income		9,451	8,709
Total accruals and deferred income		**9,451**	**8,709**
Total liabilities		**196,036**	**180,892**
Total equity and liabilities		**246,715**	**230,059**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of changes in equity

Amounts in USD 000's		Statutory reserve	Other equity	Total
Equity as at 21.02.18		**43,449**	**9,704**	**53,153**
Net result		0	(3,987)	(3,987)
Equity as at 20.02.19		**43,449**	**5,717**	**49,166**
Equity as at 21.02.19		**43,449**	**5,717**	**49,166**
Net result		0	(8,221)	(8,221)
Capital increase	14	9,734	0	9,734
Equity as at 20.02.20		**53,183**	**(2,504)**	**50,680**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of cash flow

Amounts in USD 000's	Notes	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Cash flow from operating activities			
Profit before tax		(10,179)	(3,907)
Tax paid	9	(1,334)	(108)
Change in unrealised (gain)/loss on investments		(494)	(1,308)
Change in receivables and payables		(4,532)	(12,143)
Change in technical provisions and other accruals		10,869	8,776
Financial investments		(6,117)	6,777
Change in valuation due to change in exchange rates		(79)	(111)
Net cash flow from operating activities		**(11,866)**	**(2,024)**
Cash flow from financial activities			
Increase of share capital	14	9,734	0
Net cash flow from financial activities		**9,734**	**0**
Net change in cash and cash equivalents		(2,132)	(2,024)
Cash and cash equivalents at beginning of year		10,670	12,694
Cash and cash equivalents at end of year	**11**	**8,538**	**10,670**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS
Notes to the accounts

Note 1 – Corporate information

Gard Marine & Energy Insurance (Europe) AS ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Limited ("Gard M&E Ltd") and a part of the Gard group of companies (the "group") where Gard P. & I. (Bermuda) Ltd. is the ultimate owner. The Company is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of marine and energy risks.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts
The accounts include the activity from 21 February 2019 to 20 February 2020.

The financial statements have been prepared in accordance with regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

2.2 Use of accounting estimates when preparing the accounts
The preparation of the accounts requires management to make estimates and assumptions that affect the valuation of assets, liabilities, revenues, expenses and contingent liabilities. Due to unforeseen circumstances, these estimates may change in the future. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly.

2.3 Foreign currency
Functional currency and presentation currency
The accounts are prepared in USD, which is both the functional currency and presentation currency of the Company.

Transactions in foreign currency
Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are retranslated into USD using the exchange rate applicable on the balance sheet date. The currency exposure of the provision for claims is assessed to be equivalent to the same currency exposure as claims paid. The opening and closing balances of the provision for claims in foreign currency are translated into USD based on the same method as for monetary items. Non-monetary items that are measured at fair value and expressed in a non-USD currency are translated into USD using the exchange rate applicable on the transaction date. Translation differences are recognised in the income statement as they occur during the accounting period. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and financial investments are presented as part of the non-technical result as 'Interest and similar income' and 'Change in unrealised gain/(loss) on investments' respectively. All foreign exchange gains and losses relating to technical operations are presented in the income statement as part of the technical result.

2.4 Provisions, contingent liabilities and assets
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For potential obligations whose likelihood is neither remote nor not probable (i.e. not 'more likely than not'), a contingent liability is disclosed.

There is no provision for contingent liabilities recognised in the balance sheet.

Contingent assets are not recognised in the financial statements but are disclosed if it is likely that resources embodying economic benefits will flow to the Company.

2.5 Events after the reporting period
New and material information on the Company's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the Company's financial position at the end of the reporting period but might significantly affect the financial position in the future, are disclosed in note 16.

2.6 Other significant accounting policies
Other significant accounting policies are presented and described in other notes to the financial statements, together with the more expanded disclosures for that particular area. This is done to make the disclosures more relevant to the users and make it easier to get an overview of the relevant note. The following table includes other significant accounting policies that are described in other notes to the financial statements, including the number of the note:

Accounting policy	Note
Technical result	5
Technical provisions	5
Insurance related expenses	7
Non-technical items	8
Tax	9
Financial Investments	10
Cash and cash equivalents	13

Note 3 - Intra-group transactions

Reinsurance agreement with Gard M&E Ltd.
The Company cedes to Gard M&E Ltd. by way of reinsurance 70 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere.

	Ceded to Gard M&E Ltd.	
Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurance	58,737	48,783
Reinsurers' share of gross settled claims	53,621	39,953
Reinsurance commission	15,661	13,256

	Ceded to Gard M&E Ltd.	
Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurers' share of gross claims reserve	5,324	5,399

Insurance/reinsurance agency agreement
The operations and insurance activities of the Company are carried out by the insurance intermediaries Gard AS, Gard (UK) Ltd., and Oy Gard Baltic Ab. Gard (UK) Ltd. and Oy Gard Baltic Ab are fully owned by Gard AS. Gard AS is a fully owned subsidiary of Gard P. & I. (Bermuda) Ltd.

The Company has entered into an insurance agreement with Gard (UK) Ltd. where Gard (UK) Ltd. is performing certain day-to-day operational functions for the Company's branch in the UK.

	Insurance services invoiced	
Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Gard AS	9,649	10,666
Gard (UK) Ltd.	1,516	681
Oy Gard Baltic Ab	742	495

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
EEA	85,390	79,945
Other areas	12,745	10,577
Total gross written premium	**98,135**	**90,522**

The geographical split is made based on the location of the individual Member or client.

Note 5 - Technical result and technical provisions

Accounting policy

Premiums
Premiums are based on the insurance contracts where one party (the insurer) has accepted a significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Premiums are recognised over the insurance policy period.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro-rata basis. The proportion attributable to subsequent periods is deferred as gross premium reserve.

Reinsurance premiums
Reinsurance premiums are recognised as an expense over the underlying policy period.

Claims expenses
Expenses regarding incurred claims and other administrative expenses are recognised in the period they are incurred.
Paid claims include an allocated portion of both direct and indirect claims handling cost.

Amounts in USD 000's	Marine	Energy	21.02.19 to 20.02.20 Total
Technical result			
Gross written premium	84,838	13,297	98,135
Gross earned premium	84,746	10,778	95,524
Ceded reinsurance	(62,540)	(7,811)	(70,351)
Earned premium for own account	**22,206**	**2,967**	**25,173**
Claims incurred, gross			
Incurred this year	86,733	8,764	95,497
Incurred previous years	5,877	(993)	4,885
Total claims incurred, gross	**92,610**	**7,771**	**100,382**
Reinsurers' share of gross incurred claims	(62,572)	(3,469)	(66,041)
Claims incurred for own account	**30,038**	**4,302**	**34,341**

Note 5 - Technical result and technical provisions continued

Accounting policy

Technical provisions are calculated in accordance with the regulations for annual accounts for insurance companies.

Gross premium reserve

The gross premium reserve is amortised over the risk period and is calculated and accounted for in the balance sheet as a provision for the part of premium written that exceeds the end of the financial year. Changes in the provision are charged to the income statement.

Gross claims reserve

The gross claims reserve comprises estimates of the expected remaining exposure from claims that have been reported to the Company (RBNS), and from claims that have been incurred, but which have not yet been reported (IBNR).

Provisions for reported claims are made by assessing the liability of each claim. Actuarial methods are used in estimating the total cost of outstanding claims. The claim provisions have not been discounted.

In accordance with the Norwegian regulations for insurance companies provisions for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) and binary events are included in the 'Gross claims reserve'.

Insurance contract liabilities

Insurance contract liabilities are the main items in the balance sheet based upon judgements and estimates.
Estimates have to be 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 future claims costs.
It can take a significant period of time before the ultimate claims cost can be established with certainty.

			As at 20.02.20
Amounts in USD 000's	Marine	Energy	Total
Technical provisions gross			
Provisions, at the beginning of the year	88,683	10,130	98,814
Claims paid	(84,083)	(6,923)	(91,006)
Claims incurred - gross this year	86,733	8,764	95,497
Claims incurred - gross previous years	5,877	(993)	4,885
Provisions, at the end of the year	**97,211**	**10,978**	**108,189**
Reinsurers' share of claims provision	(71,910)	(7,468)	(79,378)
Provisions net, at the end of the year	**25,301**	**3,510**	**28,811**
Provision for unearned premiums, gross	40,666	8,020	48,686
Reinsurers' share of premium provision	(28,751)	(5,631)	(34,382)
Provision for unearned premiums, net	**11,915**	**2,390**	**14,304**
Provision for outstanding claims			
Technical provision gross	137,877	18,999	156,876
Technical provision net	37,215	5,900	43,115

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied.
The Company applied the following methods: Development factor method, Bornhuetter Ferguson, Apriori reduced method and Benktander.
Based on these methodologies the gross claim reserve range between USD 108.2 million and USD 109.1 million.
(Between USD 98.8 million to USD 99.8 million as at 20 February 2019).

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Notes to the accounts

Note 6 - Differences between Solvency II and balance sheet valuation

Amounts in USD 000's	Solvency II	Balance sheet	As at 20.02.20 Differences
Assets			
Reinsurance recoverables			
Reinsurers' share of gross premium reserve	0	34,382	(34,382)
Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision	23,605	0	23,605
Reinsurers' share of gross claims reserves	79,378	79,378	0
Discounting effect of reinsurers' share of gross claims reserves	(1,290)	0	(1,290)
Reinsurers' share of Bound but not incepted (BBNI) - net	(148)	0	(148)
Losses occuring during - net	(311)	0	(311)
Reinsurance recoverables	**101,234**	**113,760**	**(12,525)**
Liabilities			
Technical provisions			
Gross premium reserves	0	48,686	(48,686)
Gross expected cash flow for unexpired cover net of commission provision	23,520	0	23,520
Gross claims reserves	108,189	108,189	0
Discounting effect of gross claims reserves	(1,697)	0	(1,697)
Bound but not incepted (BBNI) - net	(1,607)	0	(1,607)
ULAE future claims discounted	17,354	0	17,354
Risk Margin	2,340	0	2,340
Technical provisions	**148,099**	**156,876**	**(8,776)**

Reinsurance recoverables

Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision claims covers the combined ratio share of reinsurers' share of gross premium reserves less reinsurance commission provisions.

Discounting effect of reinsurers' share of gross claims reserve shows the reduction in reinsurers' share of gross claims reserve, in order to arrive at net present value of the reserves as at balance sheet date.

Reinsurers' share of Bound but not incepted (BBNI) – net, covers the net of reinsurers' share of premiums, claims and commission based on agreements with customers entered into but not incepted as at the balance sheet date.

Losses occurring during is covering expected cash flow of extended reinsurance in order to align the coverage period with the premium reserve period.

Technical provisions

Bound but not incepted (BBNI) – net is covering the net of gross premiums, claims and commission from customer agreements entered into, but not incepted as at the balance sheet date.

Gross expected cash flow for unexpired cover net of commission provision is covering the combined ratio share of gross premium reserve less commission provisions. This represents the expected claims costs related to the gross premiums reserve as at balance sheet date.

Discounting effect of gross claims reserve is showing the reduction in gross claims reserve, in order to arrive at net present value of the reserves as at balance sheet date.

The risk margin is calculated as a 6% charge on future yearly cash flows, which is based on Solvency Capital Requirement in respect of non-hedgeable risks. The risk margin represents cost of capital an insurance company would require to take on the obligations of a given company.

Note 7 - Insurance related expenses and number of staff

Accounting policy

Insurance related expenses for own account consist of broker and agent commissions, sales and administrative expenses, less commission received on ceded reinsurance premiums. Sales expenses are recognised in the period in which they are incurred. The administrative expenses and commission received are expensed over the underlying policy period.

Insurance related expenses are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Acquisition costs and commissions		
Sales related salaries and wages	278	258
Other acquisition costs	5,684	5,790
Agents' commission	11,480	9,893
Commission received	(16,929)	(14,867)
Insurance related expenses for own account	**513**	**1,074**
Number of part-time staff	**13**	**14**

Remuneration to Group Leadership Team, Board of Directors and Committees

The Group Leadership Team consists of the Group Directors.

Amounts in USD 000's	Salary incl. bonus	Board remuneration	Total remuneration
Group Leadership Team			
Rolf-Thore Roppestad (Managing Director)	68	0	68
Bjørnar Andresen	37	0	37
Steinar Bye (to 29.05.2019)	35	0	35
Christen Guddal	33	0	33
Kristian Dalene	27	0	27
Lars Lislegard-Bækken	17	0	17
Christian Pritchard-Davies (from 01.01.2020)	4	0	4
Total	**222**	**0**	**222**

The table below provides information regarding payments made in the financial year 2020 to members of the Board of Directors within the group. Remuneration relating to the financial year to 20 February 2020, but not yet paid, is accrued for in the accounts.

Members of the Board of Directors of the Company			
Trond Eilertsen (Chairman)	0	20	20
Jane Sy (Member)	0	15	15
Yngvil Åsheim (Member)	0	15	15
Nils Aden (Member)	0	15	15
Ian Beveridge (Member)	0	15	15
Total	**0**	**80**	**80**

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Notes to the accounts

Note 7 - Insurance related expenses and number of staff continued

The CEO has a remuneration guarantee that comes into force if the Board should ask him to leave his position. The remuneration guarantee gives him 12 months' salary in addition to a contractual six months' notice period.

The minority of the Group Leadership Team and certain key personnel have a pension scheme that gives them the right to retire at 60 years of age and covers income included and above 12 times the base amount (see note 16 for definition of base amount).
The full pension requires a thirty year accrual period in Gard, or it will be reduced accordingly.

Gard P. & I. (Bermuda) Ltd. has given a collective bonus promise to all employees within the group including the CEO. A bonus will be paid if predefined targets are met. Members for GLT (Group leadership team) and other Key Employees, as defined in the Norwegian legislation, are participating in the collective bonus scheme subject to certain adjustments required by the new Finance Institution Act of 2015 (Finansforetaksloven). The bonus will be paid through the companies where the employees work and refunded by Gard P. & I. (Bermuda) Ltd. A maximum possible bonus is 20 per cent of gross salary. For all employees, excluding GLT and other Key employees, a bonus of 12.5 percent is excpected to be paid for the year to 20 February 2020.

The key features of the special terms for members of GLT and Key Employees can be summarised as follows:
1. The maximum bonus payable to members of GLT and other Key Employees shall be reduced to 80 per cent of the bonus payable to employees in general under the collective scheme as outlined above.
2. The payment of a proportion of the bonus triggered by the collective scheme under (1) above shall be deferred for a period of 39 months from the expiry of the financial year the bonus is linked. The payment after three years of the deferred component is subject to some further terms and conditions, including defined financial performance target for the three years period.
3. An individual component based on an individual assessment conducted by the CEO in consulation with the Chairman of the Excecutive Committee of Gard P. & I. (Bermuda) Ltd.

Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Remuneration auditor		
Statutory audit	26	31
Non audit services	0	6
Total auditors' fee	**26**	**37**

Note 8 - Interest and similar income/(expenses)

Accounting policy

Other income and expenses are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Interest and similar income		
Income from financial investments held for trading(portfolio investments)	375	261
Foreign exchange gain/(loss)	(829)	(1,356)
Total interest and similar income/(expenses)	**(461)**	**(1,095)**

Note 9 - Tax

Accounting policy

The tax expense consists of tax payable and changes in deferred tax.

Deferred tax/tax asset is calculated on all differences between the book value and the tax value of assets and liabilities. Deferred tax is calculated at the nominal tax rate of temporary differences and the tax effect of tax losses carried forward at the tax rate at the end of the accounting year. Changes in tax rates are accounted for when the new rate has been approved and changes are presented as part of the tax expense in the period the change has been made. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that the tax asset will be utilised.

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Notes to the accounts

Note 9 - Tax continued

Taxes are calculated as follows

Amounts in USD 000's	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Basis for income tax expenses, changes in deferred tax and tax payable		
Total comprehensive income/(loss) as basis for tax calculation	**(10,179)**	**(3,907)**
Permanent differences	6,987	3,445
Basis for the tax expenses for the year	**(3,192)**	**(462)**
Change in temporary differences	100	462
Basis for payable taxes in the income statement	**(3,092)**	**0**
Change in tax losses carried forward	(3,092)	0
Taxable income (basis for payable taxes in the balance sheet)	**0**	**0**
Income tax expenses		
Tax paid UK	2	0
Tax correction earlier year	1,303	0
Change in deferred tax	(2,405)	57
Correction in deferred tax earlier year	(859)	0
Accrual tax in foreign branches	0	24
Tax expenses ordinary result	**(1,958)**	**80**
Income tax payable		
Tax at the beginning of the period	23	115
Tax payable related to the period	1,311	16
Tax paid during the year	(1,334)	(108)
Tax payable at the end of the period	**0**	**23**
Deferred tax/ tax asset		
Specification of tax effect resulting from temporary differences		
Portfolio investments	(850)	(356)
Tax loss carried forward	13,218	205
Other temporary differences	133	41
Retained earnings	(3,610)	(4,397)
Total temporary differences	**8,891**	**(4,506)**
Deferred tax asset, 25 per cent of total temporary differences	2,223	(1,127)
Currency effect posted to Non-technical result	0	0
Net deferred tax asset/(deferred tax) of total temporary differences	**2,223**	**(1,127)**
Reconciliation of the tax expense		
Total comprehensive income/(loss) as basis for tax calculation	(10,179)	(3,907)
Calculated tax 25%	**(2,545)**	**(977)**
Tax expense	(1,958)	80
Difference	**(586)**	**(1,057)**
The difference consist of:		
Tax correction earlier year	930	(35)
Permanent differences not subject to tax	(1,747)	(861)
Currency effect posted to Non-technical result	252	(103)
Tax in foreign branches	(2)	(24)
Other differences	(20)	(34)
Sum explained differences	**(586)**	**(1,057)**

As a result of changes in the Norwegian tax legislation for insurance companies, the part of retained earnings coming from contingency reserve, is no longer recognized as tax deductible as it has been reclassified to other equity.
Deferred tax related to this part of retained earnings was implemented in the Financial Statement as at 20.02.2018 and introduced as a temporary difference. For all insurance companies except Mutuals, the change in tax regime is implemented and included in the tax provisions as at 20.02.2020. A transition rule applies and 10% of the retained earnings coming from contigency reserve will be taxable each year, and as a consequence moved from deferred tax to payable tax.

Note 10 - Financial investments at fair value through profit or loss

Accounting policy

Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as receivables and payables in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans, receivables and held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Unrealised gains or losses arising from changes in the fair value of the ‘Financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within ‘Change in unrealised gain/loss on investments’ in the period in which they arise. Realised gains or losses are presented within ‘Gains on realisation of investments’. Dividends and interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of ‘Interest and similar income’ when the right to receive payments is established. Dividends from investments are recognised when the Company has an unconditional right to receive the dividend.

Dividend paid is recognised as a liability at the time when the General Meeting approves the payment of the dividend.

Offsetting financial investments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Note 10 - Financial investments at fair value through profit or loss continued

Determination of fair value
The following describes the methodologies and assumptions used to determine fair values.

Financial investments at fair value through profit or loss
The fair value of financial assets classified as financial investments at fair value through profit or loss and the fair value of interest-bearing securities and funds included is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are supported by observable market prices.

Assets for which fair value approximates carrying value
For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique.

Financial investments in Level 1
The fair value of financial investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last trade price (these investments are included in Level 1).
US government bonds and other financial investments have been classified on Level 1 in the pricing hierarchy.

Financial investments in Level 2
The fair value of financial investments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an investment are observable, the investment is included in Level 2.

Investments listed in the following have been classified on Level 2 in the pricing hierarchy:
- Equity funds and interest-bearing securities and funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity futures, interest futures, currency futures, currency forwards and interest rate swaps where fair values are determined on the basis of the price development on an underlying asset or instrument. All deriviatives are priced by standard and well recognized methods.

If one or more of the significant inputs is not based on observable market data, the investment is included in Level 3.

Specific valuation techniques used to value financial investments include:
- Quoted market prices or dealer quotes for similar investments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial investments.

Note that all of the resulting fair value estimates are included in Level 2 except for financial investments explained below.

Financial investments in Level 3
Level 3 includes securitised debt investments and investments in less liquid fund structures.

	As at 20.02.20				As at 20.02.19			
	Quoted market prices	Observable market data	Non observable market data		Quoted market prices	Observable market data	Non observable market data	
Amounts in USD 000's	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments								
Equities and investment funds	0	2,475	0	2,475	0	2,285	0	2,285
Interest-bearing securities and funds	14,020	30,203	0	44,223	18,141	19,659	0	37,800
Cash incl. in other financial investments	1	0	0	1	4	0	0	4
Total financial investments	**14,021**	**32,678**	**0**	**46,699**	**18,145**	**21,944**	**0**	**40,088**

Note 10 - Financial investments at fair value through profit or loss continued

The majority of investments held are subfunds of the Gard Unit Trust Fund, a legal fund structure establised in Ireland in the prior year. Holdings have moved from Gard Common Contractual Fund to Gard Unit Trust Fund during the year by redeeming and simultaneously subscribing into the new structure. Unrealised gains and losses of units held in old fund struture have been realised and the new fund structure was launched with fresh cost values. Otherwise, no material changes to the investment profile or mandates managed within the Unit Trust Fund.

Equities and investment funds

Each subfund holds well diversified portfolios with different investment objectives, and the underlying holdings are common stocks traded on regional stock exchanges. The Company possesses only minority interests in quoted companies.

Interest-bearing securities and funds

Funds classified as interest-bearing funds are predominantly invested in fixed income securities and money markets. There are also some exposure to floating rate loans and private debt.

Amounts in USD 000's	Investment profile	Currency	As at 20.02.20
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	2,475
Total Equity funds			**2,475**
Total Equities and investment funds			**2,475**
The part of Equity funds invested in quoted shares			2,475

Amounts in USD 000's	Investment profile	Currency	As at 20.02.20
Interest-bearing securities			
Gard Global Credit Bond Fund I	Global corporate bonds	USD	6,989
Gard Global Treasury Fund	Government debt	USD	8,356
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	14,857
Northern Trust Cash Fund	Money market US Dollar	USD	14,020
Total Interest-bearing funds			**44,223**
Total Interest-bearing securities and funds			**44,223**

Note 11 - Financial risk

Risk management framework

The purpose of the risk management system is to ensure that material risks are managed in accordance with the Company's corporate objectives and risk-bearing capacity. The risk management system consists of the following components:

Risk appetite and limits: Overall Risk Appetite and Comfort Zone (target range for capitalisation) are defined in accordance with risk-bearing capacity and corporate objectives. This cascades into limits by risk type and legal entities. This forms the basis for all risk management, monitoring and reporting.

Risk policies: There are group policies describing the processes and procedures for managing material risk exposures. The purpose of the policies is to ensure consistent and adequate risk and capital management.

Risk management cycle: Material risks are identified, assessed regulary, managed proactively, monitored regularly and reported to the relevant responsible body.

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Notes to the accounts

Note 11 - Financial risk continued

Main financial risks

Market risk

Market risk arises from the investment activities and the sensitivity of liabilities to changes in market price. The sensitivity analysis of investments assets aims to illustrate the risk of economic losses resulting from deviations in the value of assets caused by changes in observable market prices differing from expected values. The five main market risks selected for testing of sensitivity due to price changes are

Equity risk

The risk of economic losses resulting from deviations of market values of equities from expected values. The equity portfolio is well diversified, although with skewedness towards emerging markets and smaller companies compared to a global market capitalised benchmark. This is expected to generate a slightly higher return combined with higher volatility over time.
The equity portfolio is being managed by a selection of specialist fund managers in which portfolios are partly hedged through a rolling equity index futures program. The sensitivity analysis for equity risk includes equities net of equity index derivatives.

Interest rate risk

The risk of economic losses resulting from deviations in actual interest rates from expected interest rates. The term structure of interest bearing assets are broadly matched to the expected duration of the liabilities. The sensitivity analysis for interest-bearing investments is testing the portfolio's interest rate sensitivity with a weighted average duration approach. Interest sensitive liabilities are not part of the analysis.

Currency risk

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange rates.
Foreign currency exposure are assumed to be tightly matched across the balance sheet and managed with an emphasise on major currency exposures. Currency forward derivatives may also serve as an effective tool for mismatch adjustments. The sensitivity analysis for foreign currencies only applies to investments assets and illustrates the impact on values given changes in exchange rates against USD.

The table below splits the balance sheet into the major currencies USD, EUR and GBP, and remaining currencies are grouped into Other. Note that investments held as shares/units in various fund structures are reported in base currency. The split deviates from underlying currency exposure that is used as input in the enterprice risk models.

Currency split balance sheet

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Assets		
USD	220,757	207,858
EUR	22,726	20,943
GBP	177	148
Other	3,055	1,109
Total assets	**246,715**	**230,059**
Equity and liabilities		
USD	200,789	192,155
EUR	44,883	36,018
GBP	330	49
Other	713	1,838
Total equity and liabilities	**246,715**	**230,059**
Net asset exposure		
USD	(19,968)	(15,703)
EUR	22,157	15,074
GBP	153	(99)
Other	(2,342)	729

Note 11 - Financial risk continued

Financial investments - sensitivity analysis

The analysis below is performed for reasonably possible movements in key market variables with all other variables held constant.

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Impact on fixed income portfolio investments given an increase of 50 basis points	(647)	(2,801)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(247)	(228)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(778)	(457)

The sensitivity analysis assumes no correlation between equity price, property market and foreign currency rate risk. It also assumes that all other receivables and payables remain unchanged and that no management action is taken. The Company has no significant risk concentrations which are not in line with the overall investment guidelines set by the Company's Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

Credit risk

The risk of economic losses resulting from the default of third parties, split into:

Credit default risk

The risk that actual credit losses will be higher than expected due to the failure of counterparties to meet their contractual debt obligation.

Credit spread risk.

The risk of economic losses due to the difference in yield between a defined rating class bucket and treasury bills/bonds with the same duration.

Credit migration risk.

The risk that a portfolio's credit quality will materially deteriorate over time, without allowing a re-pricing of the constituent loans to compensate the creditor for the higher default risk being undertaken.

Counterparty default risk

The main sources of counterparty default risk are reinsurers, cash deposits at banks, and receivables from policyholders.

The credit exposure on the reinsurance program is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Group is, however, faced with BBB rating exposure through the IG Pooling agreement. Among the thirteen clubs, four have ratings of BBB or lower.

Banks and custodians are in line with the guidelines with a credit rating of at least A/stable.

The credit risk in respect of receivables is handled by policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

The tables below show the credit risk exposure as at 20 February 2020. Assets are classified according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. Top rated assets are denoted with AAA rating and US long-term sovereign credit rating is equivalent to a AAA rating due to an applied median approach.

Credit risk exposure in balance sheet

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Interest-bearing securities and funds		
AA	14,020	18,141
Not rated	30,203	19,659
Total Interest-bearing securities and funds	**44,223**	**37,800**
Cash included in other financial investments		
A	1	1
Not rated	0	3
Total cash included in other financial investments	**1**	**4**
Reinsurers` share of gross premium reserve		
A	34,382	33,429
Total reinsurers' share of gross premium reserve	**34,382**	**33,429**

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Notes to the accounts

Note 11 - Financial risk continued

	As at 20.02.20	As at 20.02.19
Reinsurers` share of gross claims reserve		
A	71,926	69,127
BBB	7,392	9,952
Not rated	60	29
Total reinsurers' share of gross claims reserve	**79,378**	**79,107**
Receivables		
A	7,627	5,848
Not rated	61,466	55,150
Total receivables	**69,093**	**60,997**
Cash and cash equivalents		
AA	8,538	10,670
Total cash and cash equivalents	**8,538**	**10,670**

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Not due	60,785	55,184
0-60 days	5,433	3,441
61-90 days	1,298	395
Above 90 days	1,578	1,977
Provision for bad debt	(142)	(41)
Total	**69,093**	**60,997**

Analysis of provision for bad debt

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Balance as at the beginning of the period	41	95
Provision for receivables impairment	101	(54)
Receivables written off during the year as uncollectable	(7)	26
Unused amounts reversed	7	(26)
Balance as at the end of the period	**142**	**41**

The creation and release of provision for impaired receivables has been included in 'other insurance related expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Note 11 - Financial risk continued

Liquidity risk
The risk that cash resources are insufficient to meet financial obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. Liquidity risk arises primarily due to the unpredictability of the timing of payment of insurance liabilities and the illiquidity of the assets held or when market depth is insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount.

Maturity profile
The following tables set out the maturity profile of liabilities combining amounts expected to be recovered within one year, between one and five years and more than five years.

The Company maintains highly marketable financial investments and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow.

Amounts in USD 000's	Within 1 year	1-5 years	No maturity date	As at 20.02.20 Total
Gross claims reserve	44,996	60,348	2,845	108,189
Income tax payable	0	0	0	0
Payables, accruals and deferred income	38,853	0	0	38,853
Other payables	307	0	0	307

Amounts in USD 000's	Within 1 year	1-5 years	No maturity date	As at 20.02.19 Total
Gross claims reserve	39,664	56,581	2,569	98,814
Income tax payable	23	0	0	23
Payables and accruals	34,681	0	0	34,681
Other payables	173	0	0	173

Note 12 - Receivables from direct insurance operations

Amounts in USD 000's	As at 20.02.20	As at 20.02.19
Direct and received premium	1,222	1,233
Direct and received premium through broker	32,794	25,432
Not closed premium	12,349	13,447
Claims related debtors, co-insurers	12,743	13,155
Provision for bad debts	(142)	(41)
Receivables from direct insurance operations	**58,968**	**53,226**

Note 13 - Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash in hand and deposits held at call with banks, brokers and fund managers. In the balance sheet, cash and cash equivalents that relate to investment management is presented as other financial investments. All other cash is presented as cash and cash equivalents. In the cash flow statement, cash and cash equivalents do not include cash and cash equivalents presented as other financial investments.

Cash and cash equivalents

Cash and cash equivalents includes bank deposits and cash in hand, of which USD 21,106 as at 20 February 2020 is restricted cash (USD 22,980 as at 20 February 2019)

Note 14 - Statutory reserve

Amounts in USD 000's	Shares	Per cent
Owners equity		
Gard Marine & Energy Ltd.	300	100

Par Value is NOK 1,446,703.- per share.

All shares have the same rights in the Company.

All shares are owned by Gard Marine & Energy Ltd.

The Company is consolidated into the accounts of Gard Marine & Energy Ltd. as at 20 February 2020 and the consolidated accounts are available at the office of Gard Marine & Energy Ltd`s management company Lingard Ltd. in Bermuda.

Note 15 - Capital requirements

Gard Marine & Energy Insurance (Europe) AS is required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Services Authority (Finanstilsynet) until May 2020. As a result, preliminary figures are included as at 20 February 2020.

Amounts in USD 000's	As at 20.02.20
Own funds	
Ordinary share capital	52,307
Share premium account	(1,627)
Reconciliation reserve	(3,074)
Net deferred tax assets	2,223
Excess of assets over liabilities	**49,829**
Tier 1 - Unrestricted	47,606
Tier 3 - Net deferred tax assets	2,223
Total basic own funds / (equal to Excess of assets over liabilities)	**49,829**
Total available own funds to meet the SCR	49,829
Total available own funds to meet the MCR	47,606
Total eligible own funds to meet the SCR	49,829
Total eligible own funds to meet the MCR	47,606
SCR	36,063
MCR	9,016
Ratio of eligible own funds to SCR	**138%**
Ratio of eligible own funds to MCR	**528%**
Minimum Capital Requirement (MCR)	
Linear MCR	8,342
SCR	36,063
MCR cap (45% of SCR)	16,229
MCR floor (25% of SCR)	9,016
Combined MCR	9,016
Absolute floor of the MCR	4,127
MCR	**9,016**
Solvency Capital Requirement (SCR)	
Market risk	2,791
Counterparty default risk	10,712
Non-life underwriting risk	26,412
Diversification	(7,535)
Basic SCR	**32,380**
Calculation of SCR	
Adj - Loss Absorbing Capacity of Deferred Tax	(689)
Operational risk	4,373
SCR	**36,063**

Note 16 - Events after the reporting period

Events after the reporting period that do not affect the company's financial position at the end of the reporting period, but which will affect the financial position in the future – COVID 19

On 11 March 2020, the World Health Organization named the COVID-19 virus as a pandemic, following which, inter alia, many global financial markets experienced heavy losses due to the uncertainty surrounding the world-wide spread of the virus. The situation is monitored closely, not only the development of the market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk.
The management are taking steps to manage the adverse financial and operational effects.

Arendal, 28 April 2020

Board of Directors

Gard Marine & Energy Insurance (Europe) AS

Trond Eilertsen Chairman	Nils Aden	Jane Sy
Yngvil Åsheim	Ian Beveridge	Rolf-Thore Roppestad Managing Director

To the General Meeting of Gard Marine & Energy Insurance (Europe) AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gard Marine & Energy Insurance (Europe) AS, which comprise the balance sheet as at 20 February 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 20 February 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 April 2020
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant