



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

AS AT 20 AUGUST 2021

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HISTORICAL COMPARISON

GROSS EARNED PREMIUM

USD millions, ETC basis
6 months to 20.08

2021		473
2020		425

USD millions, ETC basis,
12 months to 20.02

2021		872
2020		829
2019		773
2018		760

RESULT

USD millions, ETC basis
6 months to 20.08

2021		-27
2020		-62

USD millions, ETC basis,
12 months to 20.02

2021		68
2020		93
2019		-53
2018		193

COMBINED RATIO

Per cent, ETC basis
6 months to 20.08

2021		113
2020		116

Per cent, ETC basis,
12 months to 20.02

2021		104
2020		102
2019		110
2018		91

EQUITY

USD millions as at 20.08

2021		1,226
2020		1,117

USD millions, as at 20.02

2021		1,263
2020		1,179
2019		1,159
2018		1,249

ASSETS

USD millions as at 20.08

2021		3,488
2020		3,217

USD millions, as at 20.02

2021		3,206
2020		2,881
2019		2,859
2018		2,867

NON-TECHNICAL RESULT

USD millions as at 20.08

2021		23
2020		-9

USD millions, to 20.02

2021		113
2020		118
2019		-9
2018		144

CEO'S OPERATIONAL REVIEW

OUR PRIORITIES IN THESE DIFFICULT TIMES HAVE BEEN TO FOCUS ON OUR MEMBERS AND CLIENTS, OUR SOCIAL RESPONSIBILITY TOWARD SEAFARERS AND OTHER KEY MARITIME STAKEHOLDERS AND THE WELFARE OF OUR EMPLOYEES.



The COVID-19 pandemic has continued to affect international trade, shipping and financial markets. During the first half of the 2021 financial year, Gard saw a considerable influx of Covid-19 related crew claims, in addition to Covid-19 related cost increases for hull, loss of hire and P&I casualty claims. Furthermore, several major incidents within the International Group Pool drive claims costs up, continuing a negative industry trend from the 2019 and 2020 financial years.

As an organisation, our priorities in these difficult times have been to focus on our Members and clients, our social responsibility toward seafarers and other key maritime stakeholders and the welfare of our employees. After more than a year of remote working, we are now gradually returning to our offices around the world where we will continue to support and serve our Members and clients.

HALF YEAR RESULTS

The results for the Gard group at 20 August 2021 on an Estimated Total Call (ETC) basis are:

- A loss after tax of USD 27 million.
- A technical loss of USD 50 million.
- Combined Ratio Net (CRN) of 113 per cent.
- The non-technical result is a profit of USD 23 million, including taxation and other comprehensive loss.
- Equity of USD 1,226 million on an Actual Call basis.

CAPITAL POSITION

Gard remains well capitalised with equity being well within the target range approved by the Board. We will continue to balance our ability to deliver value through a comparatively low long term insurance cost for Members with supporting individual Members and clients with products and services needed to manage risks and maintaining the long-term financial health of the group.

In November 2020 the Board decided to support our Members' cash flows by giving a five per cent Owners' General Discount for Members renewing with Gard for the 2021 policy year, which amounted to USD 10 million on an accrued basis for the first half year of 2021.

LOOKING FORWARD

Several years of benign claims developments for owners mutual P&I have led to much reduced premium rates which has benefitted the mutual membership. Over the past couple of years, claims have escalated with the main driver being the increased severity of large claims. As a consequence, current mutual P&I rates have to be adjusted upwards. An increase in the Estimated Total Call for the owners' mutual P&I portfolio will be required for the 2022 renewal. In Gard we price risks individually, and consequently the individual Member's rate reflects their underlying risk profile and claims record. Over time, Gard will steer our Owners' Mutual P&I portfolio towards a small loss, using the contributions from our commercial business lines and investment portfolio to support the mutual membership.

WE WILL CONTINUE OUR FOCUS ON DELIVERING VALUE THROUGH LOW LONG TERM INSURANCE COST FOR MEMBERS AND SUPPORTING INDIVIDUAL MEMBERS AND CLIENTS WITH THE PRODUCTS AND SERVICES NEEDED TO MANAGE THEIR RISKS.

For the 2022 policy year, the Board of Directors has agreed a 5% Owners' General Discount for the membership at renewal.

BUSINESS REVIEW

Gard group result

The first six months of the 2021 financial year produced a total comprehensive loss for the group on an Estimated Total Call (ETC) basis of USD 27 million. The 5 per cent Owners' General Discount agreed for the year amounted to USD 10 million for the first half year, increasing the total comprehensive loss to USD 37 million.

The consolidated equity, which provides security and stability for the membership, was USD 1,226 million at the half year compared to USD 1,263 million at the end of the previous financial year.

Gross earned premium on ETC basis was USD 473 million, an increase of USD 48 million from the comparable period last year. There has been a growth in all lines of business and rates are hardening. For P&I mutual profitability is unsatisfactory and rates will require increases.

Claims incurred for own account totalled USD 374 million, an increase of USD 24 million from the comparable period last year. Both P&I mutual, including Pool claims from other International Group Clubs, and Marine claims are high. The P&I mutual Pool

FIVE YEAR DEVELOPMENTS

AS AT 20 AUGUST, USD MILLIONS

Development of group gross earned premium



Development of group claims incurred for own account



Development of P&I gross earned premium



Development of P&I claims incurred for own account



Development of Marine & Energy gross earned premium



Development of Marine & Energy claims incurred for own account



CEO'S OPERATIONAL REVIEW

CONTINUED

continued the trend from 2019 and 2020 with increasing claim severity and Marine has seen more large claims than expected.

The technical result at 20 August 2021 was a loss of USD 60 million

The non-technical result was USD 23 million. The Gard group's investment portfolio returned USD 30 million, or 1.4 per cent in the first six months of 2021, against -0.4 per cent for the comparable period last year.

Protection & Indemnity on ETC basis

For P&I, gross earned premium was USD 260 million, an increase of USD 10 million compared to the same period in 2020. P&I revenues are increasing in volume and rates are hardening. The P&I market has been soft for number of years due to benign claims development. Last year's increases in rates were not sufficient to meet profitability targets due to an escalation in claims over the previous three financial years.

Claims incurred for own account totalled USD 235 million, a decrease of USD 16 million from the comparable period of last year, but still at a much higher level than earlier years. Several high severity Pool claims have impacted total claims. Gard did not incur any new claims to the Pool in the first half of 2021. The technical result for P&I was a loss of USD 48 million. The combined ratio net for the period was 123 per cent.

Marine & Energy

For Marine & Energy, gross earned premium was USD 214 million, an increase of USD 39 million from the comparable period last year. The increase is due to growth in volume for Marine business and a hardening of rates both for Marine and Energy.

Claims incurred for own account totalled USD 139 million, an increase of USD 40 million from the comparable period last year. The increase is higher than expected, also when factoring in business growth.

The technical result for Marine & Energy was a loss of USD 2 million. The combined ratio net was 101 per cent.

INVESTMENTS

The Gard group's investment portfolio returned USD 30 million, or 1.4 per cent in the six months to 20 August 2021. This compares with a return of -0.4 per cent for the same period in 2020. The half-year was marked by sharp increases in US interest rates in response to inflationary concerns, though longer-term yields fell towards the summer as markets increasingly focused more on the potential for higher rates over the next two to five years. The period also saw continued strong performance from developed equity and credit markets, supported by accommodative monetary and fiscal policies across the US and Europe. In contrast, emerging market indices struggled due to ongoing concerns over the Chinese economy and

INVESTMENT ALLOCATION

Per cent, as at 20 August 2021



CEO'S OPERATIONAL REVIEW

CONTINUED

a stronger US dollar. The dollar proved particularly strong versus developed currencies as market response to inflationary pressures led to increasing interest rate differentials.

The primary drivers of the performance in the portfolio were European and US equity investments as well as US corporate bonds. Detracting from this performance was returns from emerging market debt and equity allocations.

CAPITAL AND RISK MANAGEMENT

Over the first six months of the 2021 financial year, the Gard group continued to be very well capitalised, despite challenging insurance conditions and falling investment markets. The probability that Gard would have to raise additional capital from its mutual Members by way of unbudgeted supplementary calls is low.

Eligible own funds – partial internal model

	20 August 2021	20 February 2021
Tier 1 Basic own funds	1,030	1,089
Tier 2 Ancillary own funds	277	255
Tier 3 Other own funds		
Eligible own funds	1,307	1,344

Gard has a simple capital structure consisting of Tier 1 capital through equity, which is earned and available, high quality Tier 2 capital in the form of unbudgeted supplementary calls and tax assets included as Tier 3 capital. The eligible own funds are calculated based on a partial internal model.

The Gard group manages its capital in such a way that all its regulated entities meet local regulatory capital requirements at all times.

S&P RATING

In October 2021 Standard & Poor's affirmed the A+ financial strength rating of the Gard group and its direct writing subsidiaries (Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard – gjensidig -, Gard Marine & Energy Limited and Gard Marine & Energy Insurance (Europe) AS), whilst retaining the negative outlook. The rating reflects Gard's strong capital adequacy and business profile as a leading insurer.

FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 20 AUGUST 2021

GARD P. & I. (BERMUDA) LTD.

SUMMARY INCOME STATEMENT

Amounts in USD 000s	Consolidated accounts	
	21.02.21 to 20.08.21	21.02.20 to 20.08.20
Gross earned premium*	463,907	425,335
Earned premium for own account	364,707	336,136
Other insurance related income	374	799
Claims incurred for own account**	374,038	350,049
Operating expenses	50,743	40,477
Technical result	(59,700)	(53,591)
Non-technical result***	22,963	(8,812)
Result	(36,738)	(62,403)
Combined Ratio Net (CRN), ETC basis	113%	116%

* Gross earned premium include a 5 per cent Owners General Discount for the P&I business for the half year to 20.08.21.

** Claims handling costs' share of Operating expenses are included in Claims incurred for own account.

***Taxation and Other comprehensive income/(loss) are included in Non-technical result.

SUMMARY BALANCE SHEET

Amounts in USD 000's	Consolidated accounts	
	As at 20.08.21	As at 20.02.21
Investments at fair value	2,271,510	2,352,752
Reinsurers' share of technical provisions	342,297	288,928
Cash and equivalents	226,085	186,471
Other assets	648,409	378,229
Total assets	3,488,301	3,206,380
Equity	1,226,180	1,262,920
Gross premium reserve	470,140	235,472
Gross claims reserve	1,591,382	1,473,288
Other liabilities	200,599	234,700
Total equity and liabilities	3,488,301	3,206,380

GARD P. & I. (BERMUDA) LTD.

INCOME STATEMENT ON LINES OF BUSINESS

Amounts in USD 000's	P&I	21.02.21 to 20.08.21	
		M&E	Consolidated
Gross earned premium on ETC basis	259,720	213,707	473,427
Earned premium for own account on ETC basis	209,598	164,628	374,226
Other insurance related income	374	0	374
Claims incurred for own account*	234,685	139,353	374,038
Operating expenses	23,158	27,584	50,743
Technical result on ETC basis	(47,872)	(2,310)	(50,182)
Non-technical result**	20,786	2,177	22,963
Result on ETC basis	(27,084)	(134)	(27,219)
Owners' General Discount	(9,520)	0	(9,520)
Total comprehensive loss on ETC basis	(36,604)	(134)	(36,739)
Combined ratio net on ETC basis	123%	101%	113%

* Claims handling costs' share of operating expenses are included in Claims incurred for own account.

** Taxation and Other comprehensive income/(loss) are included in Non-technical result.



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