



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR TO 20 FEBRUARY 2021



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[2020/2021 SUSTAINABILITY REPORT](#)

FIVE YEAR COMPARISON

GROSS WRITTEN PREMIUM

USD millions, ETC basis



RESULT

USD millions, ETC basis



COMBINED RATIO

Per cent, ETC basis



EQUITY

USD millions



ASSETS

USD millions



NON-TECHNICAL RESULT

USD millions



CHAIRMAN'S STATEMENT

FEW COULD HAVE FORESEEN HOW DEVASTATING THE CONSEQUENCES OF THE VIRUS WOULD BE.



Twelve months ago, it was becoming clear that the Covid-19 pandemic would have a wide-ranging and catastrophic impact on everyone. Few of us could have foreseen exactly how devastating and far-reaching the consequences of the virus would be – not only for businesses and the world economy, but for people and their everyday lives. Nobody was prepared but, as I write, there are certainly hopeful signs that the successful development and roll out of vaccines will bring more optimism in the coming months. But we must be more prepared for further disruption because vaccination programmes are moving at very different speeds, bringing continued uncertainty about how quickly we can start returning to 'normal'. No one is safe till everyone is safe.

One immediate effect of governments protecting their borders was that shipowners were unable to effect crew changes – and seafarers became innocent prisoners of circumstance. The issue was raised by the UN Global Compact in May 2020 and flagged with the governments of the G7 and G20 nations, and it was advocated that seafarers are designated as key workers. But progress has been painfully slow on this vital issue and there is considerable dismay that governments have lacked the willingness and ability to address this issue with action making a real difference.

More can and must be done. In January 2021, the Neptune Declaration on Seafarer Wellbeing and Crew Changes, signed by over 750 businesses, put accountability on the industry to use their leverage to end the ongoing crew change crisis. As well as reaffirming that seafarers should be key workers, it also wants to ensure that, irrespective of their nationality, they get priority access to Covid-19 vaccines in recognition of their critical role in global supply chains and trade. This is particularly important since many come from countries where the vaccination roll out is moving more slowly. Gard has worked hard to keep this topic firmly in the spotlight using all available platforms – conferences, webinars, articles, press outreach, to ensure that the plight of crews around the world is not forgotten. We need to keep up the pressure on national governments to find solutions to the crew change crisis. The sustainability of our industry – and the sustainability of the ocean economy, depend on it.

PERFORMANCE THROUGH THE PANDEMIC

In spite of all the challenges, I am delighted to say that 2020 saw Gard continue to offer first class service through difficult operating conditions as well as delivering a profit for its Members. As of 20 February 2021, the consolidated equity which provides security and stability for the membership stood at USD 1,263 million,

compared to USD 1,179 million 12 months prior. These results are a clear demonstration that Gard can maintain its course through unexpectedly rough weather.

The Board took several decisions in the last year around the capitalisation of the group that were designed to help Members' cashflow and make the system of returning capital more transparent and easier to understand. The first was to delay the decision on the final premium instalment for 2019 policy year until November 2020. At that point, the Board decided to reduce the Estimated Total Call (ETC) by five per cent, a total saving of USD 18 million for the Members. This year, the Board has decided to reduce the last instalment for the 2020 policy year by 10 per cent of the ETC, saving an additional USD 38 million for the Members as well as easing their cashflow burden.

The second was the approval of a new Owners' General Discount which came into effect on 20 February 2021. The group's strong results in recent years have delivered positive benefits for our Members as Gard has been able to reduce the last instalment of the ETC, making the cost of insurance with Gard cheaper. However, the practice of deferring any reduction in the ETC premium until several months after the end of the policy year in question made budgeting harder for shipowners and made it difficult for Members to appreciate the fact that the group's superior performance had delivered lower insurance costs.

By simplifying the premium policy and bringing the discount forward to the beginning of the policy year, we give our Members greater transparency and predictability as to the real cost of buying mutual P&I products with Gard and reward them for being part of a strongly performing Club. For the 2021 policy year, the Owners' General Discount on the ETC was set at five per cent.

Gard's results were nevertheless affected by some key trends in shipping and financial markets in the last 12 months. Our underwriting results were impacted by a negative trend in pool claims in the International Group (IG) which totalled around USD 450 million for the 2020 policy year, as well as suffering from adverse development on claims from prior years. It is in extraordinary years such as this one that the mutual system proves its worth to the sector it supports.

The volatility experienced in the stock market over the last

CHAIRMAN'S STATEMENT

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year inevitably impacts investment results, as does the ongoing low interest rate environment, both requiring a tight focus on underwriting discipline. More positively, our Marine & Energy portfolio provided a welcome contribution to the group's overall result. This strategy of diversification, that Gard first pursued nearly two decades ago, helps us to smooth market turbulence, using the positive contribution from the commercial business to support the mutual Members. We can be grateful that this structure gives us predictability and flexibility through good times and bad.

OPERATING IN THE WIDER WORLD

P&I Clubs and marine insurers straddle two worlds. They sit firmly within the broader maritime industry, providing a "ticket to trade" for vessels across the globe. They are also financial institutions, albeit relatively small ones, which are subject to the regulatory pressures of that sector. In some cases, both worlds feel the same pressure points – around climate change for example or tackling sanctioned behaviours, while others may be specific to only one – for example tensions around international trade.

The importance of shipping in maintaining the supply of essential goods has never been more evident than in recent months and, inevitably, increased activity generates greater carbon emissions. The International Maritime Organization's (IMO) strategy to cut emissions from vessels by at least 50 per cent by 2050 (compared to 2008) means that we are now at a point where there is an encouraging common recognition of what needs to be done and where the industry needs to go. Nevertheless, differences remain as to how we will get there given the significant number of unknowns, not least around technological change and innovation.

IT IS IN EXTRAORDINARY YEARS SUCH AS THIS ONE THAT THE MUTUAL SYSTEM PROVES ITS WORTH TO THE SECTOR IT SUPPORTS.

Climate change and the energy transition affect everyone – shipping is just one part of the picture. Gard has taken a proactive approach to understand the risks and opportunities associated with lower emission shipping, believing that it should understand the risks early and ensure that Members and clients are supported when new technologies are utilised. This includes being involved in pilot projects for new fuel technologies and zero emission shipping, in addition to bringing new technologies into the portfolio. One example is the multi-stakeholder collaboration Gard has entered with the Centre for Research-based Innovation (SFI) AutoShip. This project is taking a leading role in the development of autonomous ships for safe and sustainable operations, driving the decarbonisation of the maritime industries. In order to incentivise the shift to sustainable business models in our industry,

it is imperative that positive social and environmental impact is illustrated, while preserving and even enhancing value creation.

There are increasing calls for insurers' actions on sustainability to be reflected in their day-to-day business as well as the investments they make. Since last year, Gard has been a signatory to the ship recycling transparency initiative, a cross sectoral coalition calling for more transparency around ship recycling. We recommend to our Members that they follow the standards laid in the Hong Kong Convention when recycling ships. In the past year, Gard has supervised the removal and recycling of five wrecks, all in line with the standards of the Hong Kong Convention or the EU Ship Recycling Regulation.

BEING PREPARED

It has been a challenging year for P&I insurers, with the system hit by large losses and adverse developments in prior year claims. Years such as these require reflection on the strengths and weaknesses that have been revealed by events – and consideration of where change could reinforce the good or ameliorate the bad. This is a debate that Clubs individually and collectively need to undertake to prepare for the next crisis.

Mutuality is a significant asset for the shipping industry, but there is no room for complacency. Collectively Clubs can be looking at where improvements can be made. How can we as mutuals always aspire to improve our capital efficiency? Can we balance the need for complete P&I cover with the potential exclusion of coverages such as cyber? Can more be done with digitalisation to make claims handling more effective – delivering greater societal good?

These are complex questions without simple answers, but they are ones with which Gard is actively engaging. Last year, I talked about the shipping and marine insurance industries being tested as never before, and I believe that trend will continue. In these circumstances, I would like to offer a special thank you to everyone at Gard for responding with great professionalism and speed to rapidly changing circumstances, delivering strong results and high levels of service. My thanks also go to those serving on our Boards and Committees for their time and commitment. It is the quality of our membership and organisation, our financial strength and our ability to keep eye view on the future – despite immediate challenges, that mean Gard will continue to deliver the promises it makes every day to Members and clients.

Morten W. Høegh

CEO'S STRATEGIC OVERVIEW

COVID-19 HAS MADE FOR AN EXCEPTIONALLY CHALLENGING YEAR FOR EVERYONE IN THE MARITIME INDUSTRY.



Whatever we thought might lie ahead of us all this time last year, I think we can all confidently agree that the reality was not as anyone predicted. Every aspect of life has been affected by the Covid-19 pandemic, and it has made for an exceptionally challenging year for everyone in the maritime industry. Our focus, as always, has been to help and support our Members and clients as they each faced differing challenges in their lives and work.

Despite a testing environment for everyone, I am pleased to say that the full year results for the group have improved considerably from the half year point when they had been impacted by adverse events in both the maritime and financial markets. For the financial year ending 20 February 2021 the group overall saw a return to profit:

- Result after tax of USD 68 million on an Estimated Total Call (ETC) basis
- Combined ratio net (CRN) of 104 per cent on an Estimated Total Call (ETC) basis
- Non-technical result of USD 113 million
- Equity of USD 1,263 million

EXCELLING AT THE FUNDAMENTALS

Overall gross premium written has increased, driven by both hardening rates in all classes of business and a growth in new business volume. We achieved the best P&I renewal in the history of Gard, with 99.4 per cent of our tonnage renewing with us. Two key factors for our Members during the renewal were the strength of our service capabilities and the change we made to our premium policy. This has resulted in 17 million GT being added in the last 12 months, with the majority coming during the renewal period. Owners' mutual tonnage now totals 246 million GT.

We have also continued to attract more business in our Marine Hull book. This expansion of our marine portfolio has contributed to the growth of the Nordic insurance market (Cefor), which is now larger than Lloyd's for hull insurance. Our marine offering is proving attractive to many of our mutual P&I Members, who are placing the claims lead for their hull cover with Gard. This is a tremendous vote of confidence from our Members and clients.

While Marine & Energy has delivered a strong profit, our P&I business has been impacted by some major claims; both for our own account and pool claims from the International Group clubs which have risen sharply. Another issue was a 50 per cent increase in the number of crew illness claims caused by Covid-19 with associated costs arising from the quarantining and disinfecting of vessels. Despite incredibly challenging conditions for owners in the

last year, with significant operational hurdles to overcome, Gard Members continue to run quality operations which is reflected in our results. We aim to run the mutual business at a small loss, balanced with the returns earned on our commercial insurance book which have been positive and better than expected in 2020.

No last instalment of the premium for the 2019 policy year was recognised in the full year accounts for 20 February 2020. By deferring a decision on the last instalment, we hoped to ease the cashflow burden for our Members through a period of uncertainty. The decision about what would be called was taken at the Board meeting in November 2020 where it was decided that Gard would only collect 75 per cent of the last instalment, giving a total saving of USD 18 million for the mutual Members.

The spring of 2020 experienced periods of extreme volatility across the investment markets, followed by a strong recovery in the autumn which resulted in a positive return of five per cent on our investment portfolio, which is similar to the 2019 result.

The capital position of the group remains strong with an increase in our equity of USD 84 million. There is always ongoing debate about whether clubs hold too much capital, but we are confident that our model benefits from the size and diversity of the group and gives us the lowest regulatory requirement to net earned premium, so we do not hold more capital on behalf of our Members than is needed.

POSITIVE INDUSTRY INFLUENCE

It would have been easy to allow the pandemic storm to drive us off course in our ambition to enable sustainable maritime development. While helping Members and clients to respond to the challenges created by the pandemic, and the switch to delivering our services remotely, have undoubtedly taken energy and focus, looking to the future has remained a key priority. Guided by our core values, our commitments to international standards and guidelines, and the expectations of key stakeholders, we have continued to take steps to engage industry-wide on topics that are vital to the future success of the maritime industries.

Sustainability is the responsibility of everyone at Gard whether through risk prevention, risk reduction and risk sharing. As a leading marine insurance group, we have an important responsibility to protect the lives and livelihoods of seafarers and make the oceans cleaner and safer, as well as an opportunity to use our leverage to support the transition to a more sustainable maritime industry.

Gard has 99 direct and 11 indirect memberships in industry bodies, boards, and committees, with many including a wide range of participations through working groups and subcommittees. This is

CEO'S STRATEGIC OVERVIEW

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in addition to Gard's ongoing industry and academic engagement through articles, webinars, publications, lectures, presentations, and speeches. The ability of Gard to work with our partnerships has, ironically, been helped by the global pandemic since it is now possible to hold industry meetings more frequently as they are invariably virtual. This has resulted in better attendance, greater efficiency and noticeably more output.

In 2020, we took part in the development of a guidance for shipyards as part of our partnership with the UN Global Compact Action Platform. These practical guidelines will serve as an implementation tool for the Sustainable Ocean Principles. It will establish common industry standards for social and environmental performance in shipyards which are an important element in our supply chain.

WE HAVE CONTINUED TO TAKE STEPS TO ENGAGE INDUSTRY-WIDE ON TOPICS THAT ARE VITAL TO THE FUTURE SUCCESS OF THE MARITIME INDUSTRIES.

As an active member of the International Group of P&I Clubs (IG), Gard has been working with fellow members to make sustainability a core part of its activities. The IG Sustainability Working Group was converted to a formal sub-committee in 2020 and the IG's Constitution was amended to include a reference to sustainable development. Mapping is being carried out of the IG's significant contribution in the fields of safety (including loss prevention and sharing safety data), claims pooling, one industry voice and casualty response. This will help to integrate sustainability and specific Sustainable Development Goals (SDGs) into the IG's sub-committee and working group structure. Gard also joined The Nordic Association of Marine Insurers (Cefor) Environmental Social and Governance (ESG) Working Group, which is considering the 17 SDGs in the context of Cefor's clauses, statistics, industry policy and education functions.

DEEP MARITIME EXPERTISE

Last year we published our statement on sustainable ship recycling and signed up for the Ship Recycling Transparency Initiative, a cross-sectoral coalition calling for increased transparency around ship recycling practices. I am pleased to say, that since then, Gard has supervised the removal and recycling of five wrecks, all in line with the standards of the Hong Kong Convention or the EU Ship Recycling Regulation. Recent wreck removals include the Kaami and the Hoegh Xiamen. The latter suffered a fire in Jacksonville, Florida in June 2020, and was subsequently towed to an EU-approved shipyard in Turkey. In March 2020, the bulk carrier Kaami grounded off Scotland and was towed to Kishorn Port & Dry Dock for sustainable recycling.

For Gard, sustainable ship recycling is already an integral part of our P&I cover when a ship is declared a Total Loss or a Constructive Total Loss as a consequence of an insured risk. This means that for EU-flagged vessels we will cover the extra cost and travel necessary

to make sure the vessel is recycled in line with EU regulations. We will assist the Member in the planning phase, appoint contractors, and pay for the full operation. When dealing with vessels which are flagged outside of the EU, Gard will put emphasis on whether the yards are making efforts to operate sustainably over and above the standard set by the Hong Kong Convention. In other words, sustainability is one of the key factors when deciding which yard will be the successful bidder. Responsible recycling is not only good for people and the environment, it also reduces the Club's exposure to additional claims costs which might occur as a consequence of sub-standard recycling processes.

We are now implementing a series of sustainability measures throughout our value chain and in our claims handling. In 2020 a project was launched to establish 27 targets which the Claims team is committed to implementing. 20 senior claims handlers and leaders took part in working groups to identify these goals. These goals are now being implemented and new working groups have been established on the topics of seafarers' wellbeing, carbon footprinting, ESG at repair and scrapyards, reporting and operational excellence and compliance.

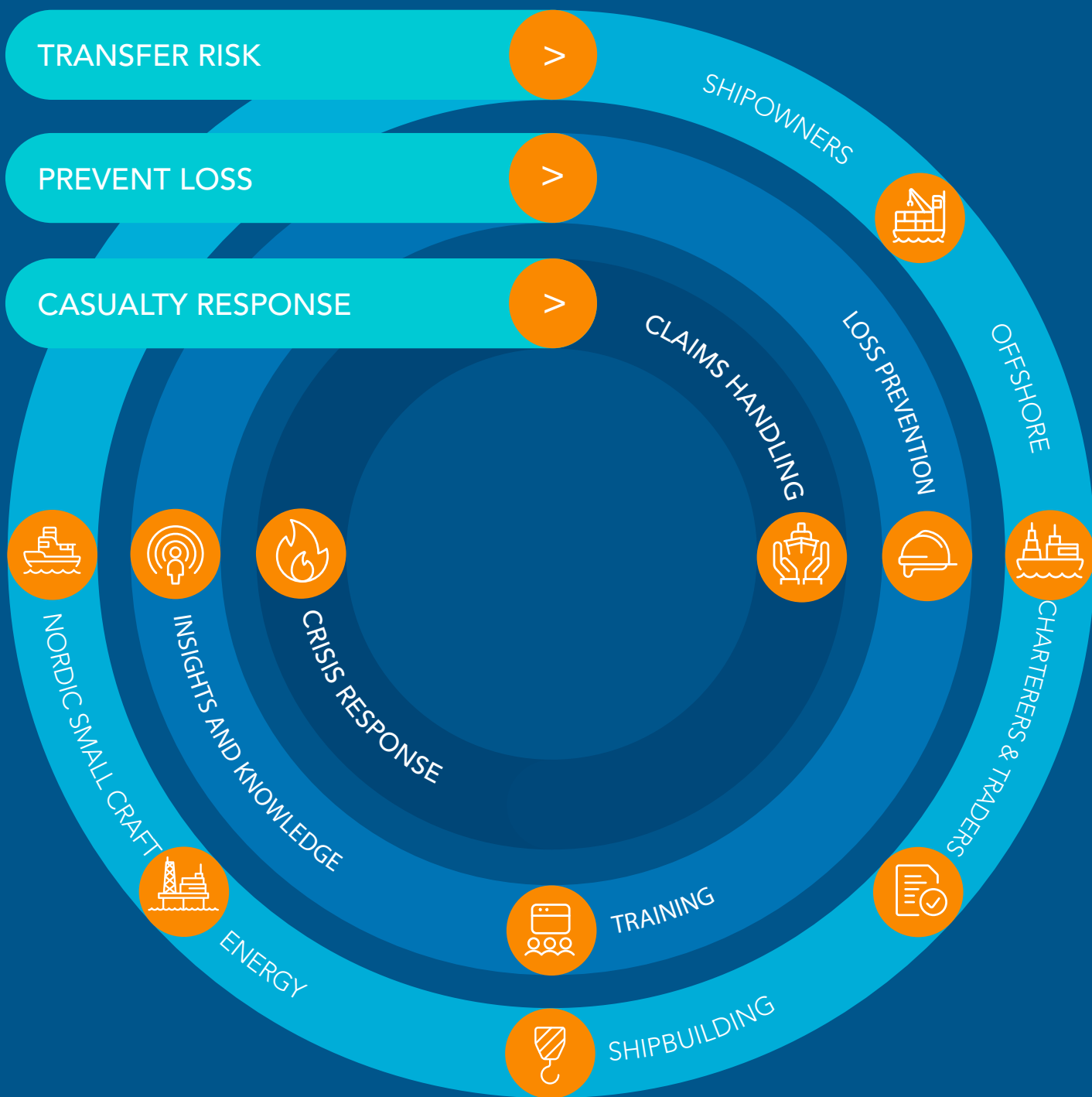
DEALING WITH AN UNCERTAIN FUTURE

The importance of the marine industries in supporting the wider economy has been given considerable attention in the last year – not just because of the effects of the pandemic but more recently with the blockage of the Suez Canal. While the Canal crisis was fortunately short-lived, the ongoing issue around crew changes still needs more, and more urgent, attention. Gard is committed to supporting all our Members and clients through the challenges they face both today and those that may occur in the future.

Every business has had to face the challenge of switching to remote working, and I would like to express my gratitude to all my colleagues within Gard for their efforts in the last year. This is particularly impressive given the challenges everyone has faced during the pandemic. The group has continued to offer exemplary support to its Members and clients, as well as moving forward with many of our ambitions to improve our own operations and enable sustainable maritime development. An example of this was the launch of our new production system for P&I at the 20 February 2021 renewal.

Marine insurance has at its very heart the ability to be prepared for and respond to the unexpected. These last 12 months have been a test of that promise and I suspect that while the challenges may change and evolve, they will not disappear in the coming months and years. We are committed to constantly improving our offering so that we can deliver the support that our Members and clients will need to continue to trade successfully.

Rolf Thore Roppestad



WE HELP OUR MEMBERS AND CLIENTS MANAGE THE TOTALITY OF THEIR EXPOSURES – BOTH TO EXISTING AND DEVELOPING RISKS.

OPERATIONAL REVIEW

BUSINESS REVIEW

Gard group result and reduction in last instalment

The financial year ending 20 February 2021 produced a total comprehensive profit on an Estimated Total Call (ETC) basis of USD 68 million.

The last instalment of the agreed ETC for 2020 policy year was 20 per cent or USD 76 million. This was reduced to 10 per cent, meaning USD 38 million have been included in the accounts. This marks the final time that the last instalment - and any corresponding reduction in premium, is deferred till several months after the end of the policy year. For the 2021 policy year, an Owners' General Discount has been introduced on the ETC so that, if the capital position of the group allows, the discount is given at the beginning of the policy year.

Due to the high volatility and uncertainty in the global financial markets, because of the Covid-19 pandemic, the Board of Directors resolved at their meeting in May 2020 to defer the decision regarding the last premium instalment for the 2019 policy year until the November 2020. Based on the Gard group's financial position then the Board decided to levy a 15 per cent last instalment amounting to USD 54 million that has been included in the accounts for the year to 20 February 2021. The last instalment for the 2019 policy year was originally 20 percent of the ETC, or USD 72 million.

Last instalment

Policy year	Estimated	Actual	Reduction	
			Per cent	USD million
2011	20%	16%	4%	15
2012	20%	12%	8%	31
2013	20%	12%	8%	35
2014	20%	12%	8%	37
2015	20%	12%	8%	37
2016	20%	0%	20%	90
2017	20%	0%	20%	79
2018	20%	10%	10%	37
2019	20%	15%	5%	18
2020	20%	10%	10%	38
Total 10 years				417
Total 5 years				262

The total comprehensive profit including changes to last instalments was USD 84 million for the 2021 accounting year ending 20 February 2021.

The consolidated equity, which provides security and stability for the membership, was USD 1,263 million as at 20 February 2021, compared to USD 1,179 million the previous year. The financial position of the group at the time of reporting remains strong, with a low probability of levying any unbudgeted supplementary call.

GARD GROUP ON ESTIMATED TOTAL CALL BASIS (ETC BASIS)

Gross written premium on ETC basis was USD 922 million, an increase of USD 48 million or 5.5 per cent from last year. The strong result is driven by both hardening rates in most classes of business and growth in new business volume.

As a result of increase in volumes achieved during the year, the Gard group has increased its overall market share.

The panel of reinsurers on the Gard group reinsurance programmes remain stable. There is an upward market pressure on the cost of reinsurance. The impact on Gard has been acceptable as a result of strong, long-term relationships with reinsurers, satisfactory claims records relative to the overall market and continuing changes to our risk profile.

Claims incurred for own account totalled USD 632 million, an increase of USD 46 million from last year. There has been a higher-than-expected level of own P&I mutual claims and Pool claims from the International Group clubs, which includes an adverse development on claims from prior years. The Pool claims development continued the trend from the financial years 2018 and 2019.

When considering the exceptional circumstances, the year demonstrated an acceptable technical performance, even after a claims intensive financial year. The technical result was a loss of USD 26 million and a combined ratio net on an ETC basis of 104 per cent. Last year there was a loss of USD 10 million and a combined ratio net on an ETC basis of 102 per cent.

The non-technical result was a strong USD 113 million with gains across all major asset classes.

FIVE YEAR DEVELOPMENTS

AS AT 20 FEBRUARY, USD MILLIONS

Development of group gross written premium

2021		922
2020		874
2019		798
2018		775
2017		824

Development of group claims incurred for own account

2021		632
2020		586
2019		537
2018		479
2017		493

Development of P&I gross written premium

2021		505
2020		519
2019		519
2018		546
2017		621

Development of P&I claims incurred for own account

2021		413
2020		405
2019		339
2018		357
2017		326

Development of Marine & Energy gross written premium

2021		417
2020		354
2019		279
2018		229
2017		203

Development of Marine & Energy claims incurred for own account

2021		219
2020		181
2019		199
2018		122
2017		167

OPERATIONAL REVIEW

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PROTECTION & INDEMNITY ON ETC BASIS

Gross written premium for P&I on ETC basis was USD 505 million, a decrease of USD 14 million from last year. The volume increase for P&I mutual did not offset the effect of reduced premiums due to lay up rates and churn. For fixed price P&I the decline in the offshore market resulted in reduced premium. The P&I market has been soft for several years due to a benign claims' development. This is gradually turning as pricing needs to reflect the cost of major claims seen in 2018, 2019 and 2020. The market is competitive but we saw the year as a turning point.

P&I claims incurred for own account totalled USD 413 million, an increase of USD 7 million from last year. Our Pool loss record has improved in recent years and consequently our percentage contribution to Pool claims is now lower than our IG market share measured in GT.

The Covid-19 pandemic impacted claims in the following areas:

- The number of crew illness claims has increased by about 50 per cent compared to previous years.
- There have been several compensation claims concerning ship quarantine and disinfection costs. In particular February/April 2020 saw several outbreaks on cruise ships causing illness and death of passengers and crew. Since that time, most cruise and other passenger ships paused trading reducing risks overall for that segment.

- Covid-19 has caused an increase in Defense enquiries, contract reviews and disputes.

MARINE & ENERGY

For Marine & Energy, gross written premium was USD 417 million, an increase of USD 62 million or 18 per cent from last year. The increase is due to growth in volume for Marine business and hardening of rates for Marine and Energy. The technical result for Marine & Energy was a profit of USD 20 million against a profit of USD 17 million last year. The combined ratio was 93 per cent, the same as last year.

Claims incurred for own account totalled USD 219 million, an increase of USD 39 million from last year. This was mainly driven by increase in volume from Marine hull. In Energy, actuarial reserves have been increased for windfarms, which are a new product area, and Builders' Risk (after a very good performance last year) also rose.

The energy market has seen some rate increases, although premium levels are still considered too low in a market segment prone to large claims. With only one large claim in energy this year, it made a strong contribution to the overall result.

INVESTMENTS

For the financial year to 20 February 2021 Gard achieved a return on its investments of 5 per cent versus 5.7 per cent for the strategic benchmark. For the comparable period last year, Gard's investment

INVESTMENT ALLOCATION

Per cent, as at 20 February 2021



OPERATIONAL REVIEW

CONTINUED

portfolio returned 5.8 per cent. The size of the group's investment portfolio as at 20 February 2021 was USD 2,295 million, an increase of USD 193 million the previous year.

The year was marked by the impact of the global pandemic which caused a significant sell-off in global financial markets at the beginning of the period, though most global markets recovered strongly by the end of the financial year, with several markets ending the period at all-time highs. This recovery was the result of unprecedented fiscal and monetary stimulus across the globe, led by the US which dropped interest rates to zero and where the CARES act was signed into law at the end of March 2020 and provided a USD 2.2 trillion stimulus injection into the US economy. Whilst the EU and other governments followed suit with similar packages, it was not until July that the EU agreed a significant degree of spending. The combination of fiscal stimulus and zero US interest rates proved to be a strong accelerant to financial markets, sparking an historic recovery in equity and credit markets. This was particularly true in the US where technology sectors experienced an expansion of their multiples amid a speculative fever not seen since the late 1990s. Unexpectedly rapid vaccine developments combined with the election of Joe Biden and the expected enactment of further stimulus, meant that this optimism continued. US equity markets ended at all-time highs and corporate spreads at comparable levels to the period prior to the pandemic, when US 10-year treasury yields hit 0.53 per cent. However, from there, they started to rise gradually as the US yield curve steepened significantly as 10-year rates rose whilst five-year rates remained low. Further strong sell-offs in December and January caused more increases in rates below five years following a resurgence of inflation worries from the expectations of further stimulus and a weakening dollar. As Gard's fixed income investments have relatively low aggregate duration, the impact on the portfolio of rising rates has been limited.

The credit portfolio experienced significant losses at the beginning of the year. As markets recovered Gard's portfolio followed and the portfolio was a significant contributor to the return with an estimated return of 6.6 per cent. The managers in the portfolio took advantage of volatile markets at the beginning of the year and the return was achieved with no significant changes to overall spread duration and a slight improvement to average credit rating.

In emerging market sovereign debt, Gard's managers delivered an estimated return of 8 per cent and delivered strong relative performance through country selection throughout the year, with returns also boosted due currency gains.

The equity portfolio returned an estimated 16 per cent for the fiscal year. Whilst being underweight to US large cap technology saw the portfolio underperform in the first half of the year, the second half saw significant gains, especially across emerging economies, helped by stronger expectations for global growth, ongoing interest in renewable technology firms and a falling dollar.

The alternatives portfolio was mixed for the year, with a loss in our hedge fund exposure of -10 per cent partially offset by a strong period for our primary real estate exposure, in which low rates and a strong market for industrial and logistics property drove a return more than 7 per cent.

Gard is and aims to remain a responsible investor. We fully support the UN Principles of Responsible Investment and encourage fund managers to sign up to them. These principles recognise that long-term sustainable returns are dependent on stable, properly functioning and well-governed social, environmental and economic systems.

CAPITAL AND RISK MANAGEMENT

Over the twelve months to 20 February 2021, the Gard group continued to be strongly capitalised, despite a year highly affected by Covid-19, fluctuations in the financial markets and significant losses from the International Group's pooling system.

Risk management

Gard has an effective system of risk governance, which provides sound and prudent risk management. Risk governance is based on the three lines of defence model, with clearly defined roles and responsibilities. Risk taking is carried out in the business functions (1st line), risk oversight is carried out by the Risk Management function, Compliance function and the Actuarial function (2nd line). Independent assurance is provided by Internal Audit (3rd line).

Gard's Risk Management function is mandated to ensure that the group has the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it performs reporting activities. The independence of the Risk Management function is maintained by a direct reporting line from the Chief Risk Officer to the Chief Executive Officer, and regular reporting to the Risk Committee.

Gard's internal risk capital model provides a quantification of the risks to which Gard group and its legal entities are exposed and is an important tool for the group. The model is used to determine the risk and capital requirements for internal purposes. The internal model and its parameters are reviewed regularly to reflect Gard's experiences, changes in the risk environment and best practice. The insurance risk and market risk modules from the internal risk capital model have been approved by the Norwegian FSA to be used for calculating Solvency II capital requirements for Gard group, Assuranceforeningen Gard – gjensidig - and Gard Marine & Energy Insurance (Europe) AS. The Standard Formula is used for counterparty risk and operational risk.

Risk appetite and strategy

Gard's risk appetite is to hold sufficient capital and liquidity as well as to constrain its risk taking to ensure that the group can continue to operate following an extreme loss event with the same risk tolerance for insurance risk. The risk-taking must be aligned to Gard's risk-carrying capacity.

Gard aims to fulfil the following key objectives:

- Have a high probability of meeting its insurance liabilities and providing its services;
- Preserve the continuity of its offering after an extreme loss event; and
- Have the flexibility and competence to help Members and clients manage new risks and pursue attractive business opportunities as and when they arise.

OPERATIONAL REVIEW

CONTINUED

Eligible own funds – partial internal model

	20 February 2021	20 February 2020
Tier 1 Basic own funds	1,153	1,089
Tier 2 Ancillary own funds	279	255
Tier 3 Other own funds		
Eligible own funds	1,432	1,344

Capital management

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 probability that Gard would have to raise additional capital from its mutual Members by way of unbudgeted supplementary calls should be low.

The Gard group aims to manage its capital such that all its regulated entities always meet local regulatory capital requirements.

Risk profile

In context of its business operations Gard enters into a broad variety of risks, where the main risks are insurance risk and market risk. Gard is also exposed to counterparty default risk, operational risk, liquidity risk, business risk, compliance risk and reputational risk.

Reinsurance

Gard has an extensive reinsurance programme. The mutual business is pooled between International Group (IG) clubs. For the 2020 policy year the IG clubs pool claims above the club retention of USD 10 million and up to USD 30 million. Between USD 30 million and up to USD 100 million the IG clubs are reinsuring each other. Above USD 100 million the group purchases a reinsurance programme with USD 2 billion cover per vessel per event with an annual aggregate deductible of USD 100 million which is shared between the IG clubs. In addition, an overspill protection cover of a further USD 1 billion is purchased. For P&I Fixed and the Marine and Energy businesses there are high capacity reinsurance programmes in place. The structure of the reinsurance programmes has been stable during the last years.

Liquidity

Liquidity risk is the risk that Gard group, a legal entity and/or branch either does not have available sufficient financial resources to meet its obligations as they fall due or can secure such resources only at an excessive cost. The sources of inflows are stable in Gard, where liquidity is generated primarily through premium income. Although payments are fairly stable over time, the nature of the insurance business means that Gard must be prepared to make sudden and large payments.

The amount of liquidity held is largely determined by internal liquidity stress tests. Based on these stress tests, we estimate short-term and long-term liquidity needs. To mitigate liquidity risk, Gard has established several mechanisms including cash pool arrangements within the group and holding highly liquid assets.

S&P rating

In October 2020 Standard & Poor's affirmed the A+ financial strength 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). The outlook was revised from stable to negative, reflecting the group's recent weaker technical performance largely due to significant losses from the IG pool claims.



FINANCIAL STATEMENTS

FOR THE YEAR TO 20 FEBRUARY 2021

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Technical account					
Gross written premium	4, 5, 6	381,076	331,281	937,736	799,831
Gross earned premium	5, 6	380,685	328,595	887,651	755,283
Ceded reinsurance	6	(270,502)	(217,116)	(183,438)	(172,668)
Earned premium for own account	6	110,183	111,479	704,213	582,615
Other insurance related income		81	483	938	2,118
Gross incurred claims	6	332,383	326,314	696,659	621,650
Reinsurers' share of gross incurred claims	6	(181,575)	(167,208)	(64,829)	(35,883)
Claims incurred for own account	6	150,808	159,106	631,830	585,767
Acquisition costs	7	10,996	17,818	35,533	38,649
Agents' commission	7	23,849	20,362	60,051	51,474
Commission received	7	(51,739)	(42,762)	(19,611)	(17,479)
Insurance related expenses for own account	7	(16,894)	(4,582)	75,973	72,645
Other insurance related expenses	7	2,710	2,870	8,026	9,153
Technical result		(26,360)	(45,432)	(10,678)	(82,831)
Non-technical account					
Income from investments in group companies		6,671	27,110	0	0
Interest and similar income/(expenses)	8	4,732	(1,566)	10,151	3,755
Change in unrealised gain on investments	14	25,706	18,860	79,116	90,472
Gain on realisation of investments		3,847	10,620	25,147	22,975
Other investment (income)/expenses		(112)	(347)	(1,808)	561
Non-technical result		40,843	54,676	112,606	117,763
Profit before tax		14,483	9,244	101,928	34,931
Taxation	9	865	(5,912)	16,008	12,807
Net result		13,618	15,155	85,920	22,124
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on subsidiaries		0	0	3,092	(1,119)
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement due to change in pension assumptions	16	(70)	(44)	(7,008)	(862)
Income tax related to change in pension assumptions	16	0	0	1,736	205
Other comprehensive loss for the period, net of tax		(70)	(44)	(2,181)	(1,777)
Total comprehensive income		13,548	15,112	83,739	20,348

GARD P. & I. (BERMUDA) LTD.

BALANCE SHEET

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
ASSETS					
Intangible					
Developed software	10	0	0	8,722	3,374
Total intangible assets		0	0	8,722	3,374
Investments					
Property and plant used in operations	11	0	0	27,561	21,228
<i>Financial investments in subsidiaries</i>					
Investments in subsidiaries	13	593,363	593,363	0	0
Loan to subsidiaries	3, 15	12,315	19,989	0	0
<i>Financial investments at fair value through profit or loss</i>					
Equities and investment funds	14	180,310	171,906	558,905	572,504
Interest-bearing securities and funds	14, 15	458,644	434,316	1,693,137	1,529,422
Other financial investments	14, 15	18,130	12	43,388	35
Total investments		1,262,762	1,219,586	2,322,991	2,123,189
Reinsurers' share of technical provisions					
Reinsurers' share of gross premium reserve		1,595	1,395	41,444	38,244
Reinsurers' share of gross claims reserve	6, 15	510,928	507,370	247,484	227,240
Total reinsurers' share of technical provisions		512,523	508,766	288,928	265,484
Receivables					
<i>Receivables from direct insurance operations</i>					
Policyholders	5, 17	37,304	12,269	284,345	192,440
<i>Receivables from reinsurance operations</i>					
Receivables from reinsurance operations		781	4,717	977	8,152
Receivables from subsidiaries		10,762	51,235	0	0
<i>Other receivables</i>					
Other receivables	18	0	0	22,356	23,345
Other receivables from subsidiaries	18	13,386	1,848	0	0
Total receivables	15	62,233	70,069	307,678	223,937
Other assets					
Equipment	12	661	661	7,866	7,890
Cash and cash equivalents	15, 19	63,015	63,858	186,471	183,189
Deferred tax asset	9	20,498	19,387	18,772	23,751
Other financial assets	15	5,478	5,913	29,761	19,792
Total other assets		89,652	89,819	242,871	234,622
Prepayments and accrued income					
Accrued income and other prepayments		2,415	3,448	35,190	30,823
Total prepayments and accrued income		2,415	3,448	35,190	30,823
Total assets		1,929,585	1,891,687	3,206,380	2,881,429

GARD P. & I. (BERMUDA) LTD.

BALANCE SHEET

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
EQUITY AND LIABILITIES					
Equity					
Statutory reserve	20	463	463	463	463
<i>Retained earnings</i>					
Guarantee scheme	20	454	422	535	490
Other equity	20	984,628	971,112	1,261,922	1,178,248
Total equity	21	985,545	971,997	1,262,920	1,179,200
Technical provisions					
Gross premium reserve	6	3,107	2,715	235,472	185,388
Gross claims reserve	6, 15	850,587	846,075	1,473,288	1,381,124
Total technical provisions		853,694	848,790	1,708,760	1,566,512
Provisions for other liabilities					
Pension obligations, net	16	1,417	1,244	46,176	34,615
Income tax payable	9, 15	0	0	16,913	13,628
Other provision for liabilities		0	0	697	720
Total provisions for other liabilities		1,417	1,244	63,785	48,963
Payables					
Payables arising out of direct insurance operations	15	55,956	12,406	85,557	26,582
Payables arising out of reinsurance operations	15	4,033	12,359	57,596	23,489
Payables arising out of reinsurance operations - group companies	15	3,227	9,378	0	0
Payables to group companies	15	19,795	23,233	0	0
Other payables	15, 18	145	111	8,844	9,799
Total payables		83,156	57,488	151,997	59,870
Accruals and deferred income					
Accruals and deferred income	15	5,773	12,168	18,918	26,884
Total accruals and deferred income		5,773	12,168	18,918	26,884
Total liabilities		944,040	919,691	1,943,460	1,702,229
Total equity and liabilities		1,929,585	1,891,687	3,206,380	2,881,429

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 000's	Statutory reserve	Guarantee Scheme	Other equity	Parent company
				Total
Equity as at 21.02.19	463	0	956,423	956,885
Net result	0	0	15,155	15,155
Remeasurement due to change in pension assumptions	0	0	(44)	(44)
Provision to obliged fund	0	422	(422)	0
Equity as at 20.02.20	463	422	971,112	971,997
Equity as at 21.02.20	463	422	971,112	971,997
Net result	0	0	13,618	13,618
Remeasurement due to change in pension assumptions	0	0	(70)	(70)
Provision to obliged fund	0	31	(31)	0
Equity as at 20.02.21	463	454	984,628	985,545
Amounts in USD 000's	Statutory reserve	Guarantee Scheme	Other equity	Consolidated accounts
				Total
Equity as at 21.02.19	463	0	1,158,391	1,158,853
Net result	0	0	22,124	22,124
Remeasurement due to change in pension assumptions	0	0	(862)	(862)
Income tax related to change in pension assumptions	0	0	205	205
Provision to obliged fund	0	490	(490)	0
Exchange differences on subsidiaries	0	0	(1,119)	(1,119)
Equity as at 20.02.20	463	490	1,178,248	1,179,200
Equity as at 21.02.20	463	490	1,178,248	1,179,200
Net result	0	0	85,920	85,920
Remeasurement due to change in pension assumptions	0	0	(7,008)	(7,008)
Income tax related to change in pension assumptions	0	0	1,736	1,736
Provision to obliged fund	0	45	(45)	0
Other changes in equity	0	0	(19)	(19)
Exchange differences on subsidiaries	0	0	3,092	3,092
Equity as at 20.02.21	463	535	1,261,922	1,262,920

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF CASH FLOW

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Cash flow from operating activities					
Profit before tax		14,483	9,244	101,928	34,931
Tax paid	9	0	(997)	(4,128)	(4,252)
Dividends received from subsidiaries	3	(6,500)	(26,221)	0	0
Change in unrealised gain		(25,706)	(18,860)	(79,116)	(90,472)
Loss from sales of equipment		0	0	0	(35)
Depreciation, impairment and amortisation expenses	10, 11, 12	0	0	2,723	2,490
Change in pension obligations	16	173	92	11,561	(1,323)
Pension defined benefit plan/pension cost paid		(81)	(79)	(1,199)	(331)
Financial investments		(25,144)	36,240	(114,354)	73,460
Change in valuation due to change in exchange rates		(2,447)	2,792	(8,129)	1,961
Change in receivables and payables		33,939	5,205	(1,584)	(2,298)
Change in technical provisions and other accruals		(4,149)	(7,490)	106,472	24,319
Net cash flow from operating activities		(15,431)	(74)	14,173	38,450
Cash flow from investment activities					
Dividends received from subsidiaries	3	6,500	26,221	0	0
Purchase of intangible assets	10	0	0	(5,623)	(2,503)
Purchase of equipment	12	0	0	(261)	(4,476)
Purchase of property and plant	11	0	0	(5,563)	(891)
Proceeds from disposal of equipment		0	0	555	344
Net cash flow from investment activities		6,500	26,221	(10,892)	(7,527)
Cash flow from financial activities					
Borrowings		(1,080)	(20,839)	0	0
Repayment of borrowings		9,167	6,314	0	0
Net cash flow from financial activities		8,087	(14,525)	0	0
Net change in cash and cash equivalents		(843)	11,623	3,281	30,923
Cash and cash equivalents at the beginning of the year		63,858	52,235	183,189	152,265
Cash and cash equivalents at the end of the year		63,015	63,858	186,471	183,189

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 1 – Corporate information – the Gard group of companies

Gard P. & I. (Bermuda) Ltd. (the “Company”) is a mutual insurance association domiciled in Bermuda. The Company is incorporated as an exempt company and is registered by the Bermuda Monetary Authority as a Class 2 insurer. As a mutual insurance association, the Company is owned by its Members, being the owners and charterers of the ships from time to time insured by the Company for Protection and Indemnity risks (“P&I”). There are no external capital owners.

The principal activities of the Company and its subsidiaries (the “Gard group” or the “group”) are to insure its Members for: marine P&I risks; marine and energy risks through its wholly owned subsidiary Gard Marine & Energy Limited; and management of its assets which are used to cover the technical provisions.

The Members of the Company are also Members of Assuranceforeningen Gard - gjensidig - and vice versa. The major part of the two associations’ combined portfolio of direct business (currently about 60 per cent) is underwritten by the Company through its Norwegian branch as a direct insurer. Assuranceforeningen Gard - gjensidig - is primarily used as a vehicle for a smaller proportion of the combined P&I portfolio, which is primarily direct P&I business where an EU/EEA based insurer is required to comply with governing regulations regarding cross border activities.

Assuranceforeningen Gard - gjensidig (“Gard Norway”) is a mutual insurance association registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. The principal activity of Gard Norway is to insure its Members for marine P&I risks, including the reinsurance of a proportion of the P&I risks underwritten by the Company as a direct insurer.

Gard Marine & Energy Limited (“Gard M&E”) is a wholly owned subsidiary of the Company. Gard M&E is domiciled in Bermuda and is registered by the Bermuda Monetary Authority as a Class 3B insurer covering, inter alia, marine, and energy risks. The principal activity of Gard M&E is direct insurance of marine and energy risks.

Gard Marine & Energy Insurance (Europe) AS (“Gard M&E Europe”) is a wholly owned subsidiary of Gard M&E. Gard M&E Europe is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of marine and energy risks.

Hydra Gard Cell. Hydra Insurance Company Limited (“Hydra”) is an insurance company established by the parties to the International Group of P&I Clubs’ Pooling Agreement. Hydra is a segregated accounts company incorporated under the Bermuda Segregated Accounts Companies Act 2000, as amended, to reinsure certain layers of risks which have been retained by the parties to the said Pooling Agreement. The Hydra Gard Cell (a segregated account) is owned 100 per cent by the Company. The assets and liabilities of the Hydra Gard Cell, are separated from Hydra’s general accounts and from the other cells or segregated accounts, of the company.

Gard Reinsurance Co Ltd (“Gard Re”) is a wholly owned subsidiary of the Company domiciled in Bermuda. Gard Re is registered by the Bermuda Monetary Authority as a Class 3A insurer.

Its principal activity is the reinsurance of an agreed proportion of the risks retained by the Company, Gard M&E, and Gard Norway.

Lingard Limited (“Lingard”) is an insurance management company registered and domiciled in Bermuda and is a wholly owned subsidiary of the Company. Lingard offers insurance management and insurance intermediary services to the Company and its Bermuda based subsidiaries: Gard M&E, and Gard Re.

Gard AS is a wholly owned subsidiary of the Company. Gard AS is registered and domiciled in Norway. Its principal activity is to provide insurance agency and intermediary services to Lingard, Gard Norway, and Gard M&E Europe.

AS Assuransegården is a wholly owned subsidiary of the Company. AS Assuransegården is a Norwegian registered and domiciled company and is the owner of various fixed properties in Norway, which are used by the companies in the Gard group.

The former wholly owned subsidiary **Safeguard Guarantee Company Ltd.** (“Safeguard”) has been dissolved 19 February 2021.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

Gard P. & I. (Bermuda) Ltd. is incorporated under Bermuda Law. The operations and insurance activities of the Company are carried out by Lingard. The accounts include the activity from 21 February 2020 to 20 February 2021.

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

2.2 Basis for consolidation

The consolidated financial statements comprise Gard P. & I. (Bermuda) Ltd. and the accounts of the companies over which the Company has a controlling interest. A controlling interest is usually obtained when ownership of the shares in a company is more than 50 per cent, and that ownership can exercise control over the company. The Company has the right to exercise membership rights in Gard Norway; therefore the Company controls all voting rights in Gard Norway. This is the legal basis for consolidating the two associations’ accounts according to the International Accounting Standard 27 - Consolidated and Separate Financial Statements.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 2 - Accounting policies continued

Transactions between consolidated companies have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared under the same accounting principles for both parent and subsidiaries. The acquisition method is applied when accounting for business combinations.

2.3 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.

2.4 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 translated 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 statement of comprehensive income 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 statement of comprehensive income as part of the technical result.

The assets and liabilities of group companies that have a functional currency different from USD are converted into USD at the rate of exchange at the closing date. Income and expenses are translated at an average rate of exchange. All resulting exchange differences are recognised in 'Other comprehensive income.'

2.5 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 not remote or probable (i.e., not 'more likely than not'), a contingent liability is disclosed.

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.

2.6 Events after the reporting period

New and material information on the group's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the financial statements. Events after the reporting period that do not affect the financial position at the end of the reporting period, but which will affect the financial position in the future, are disclosed if significant.

2.7 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 related note.

The following table includes other significant accounting policies that are described in separate notes to the financial statements, including the number of the note:

Accounting policy	Note	Accounting policy	Note
Technical result.....	6	Property, plant, and equipment.....	11
Technical provisions	6	Investments in subsidiaries.....	13
Insurance related expenses.....	7	Financial Investments.....	14
Non-technical items.....	8	Pensions.....	16
Tax.....	9	Cash and cash equivalents.....	19
Intangible assets.....	10		

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 3 - Intra-group transactions

Reinsurance agreements

Gard P. & I. (Bermuda) Ltd. and Gard Norway have entered into mutual reinsurance agreements. The Company reinsures a proportion amounting to 25 per cent of Gard Norway's insurance portfolio after taking the external reinsurance into account. The Company cedes to Gard Norway by way of reinsurance 2 per cent of the Company's insurance portion after taking the external reinsurance into account. In the financial year ending 20 February 2021, two direct calls amounting to total USD 47 million has been levied based on the reinsurance agreement.

Amounts in USD 000's	Received from Gard Norway		Ceded to Gard Norway	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	29,757	21,939	51,857	4,157
Reinsurers' share of gross settled claims	7,591	25,495	4,136	4,262
Reinsurance commission	9,790	6,468	13,609	1,232

Amounts in USD 000's	Received from Gard Norway		Ceded to Gard Norway	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Reinsurers' share of gross claims reserve	74,389	63,289	11,092	11,398

Both the Company and Gard M&E have entered into reinsurance agreements with Gard Re, where the two direct insurers are ceding 50 per cent of their insurance portfolio after taking the external reinsurance into account.

Amounts in USD 000's	Ceded to Gard Re	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	110,374	112,811
Reinsurers' share of gross settled claims	110,186	115,246
Reinsurance commission	30,536	33,948

Amounts in USD 000's	Received from Gard Re	
	As at 20.02.21	As at 20.02.20
Reinsurers' share of gross claims reserve	298,009	302,454

The Company and Gard Norway have entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The Company's segregated account (cell) in Hydra is covering the former companies' liability to layers of the International Group (IG) Pool and retention in the 1st market excess layer.

Amounts in USD 000's	Ceded to Hydra	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Ceded reinsurance	37,196	34,140

Insurance management agreement

The Company, Gard M&E and Gard Re have appointed Lingard as their insurance manager and principal representative in Bermuda. The services provided by Lingard are governed by individual insurance management agreements entered into between each of the above three companies and Lingard. The Company and Gard M&E have entered into an insurance services agreement with Gard (Singapore) Pte. Ltd. where Gard (Singapore) Pte. Ltd. is performing certain day-to-day operational functions for the companies'.

In addition, secondment agreements have been entered into between the insurance branches in Singapore, Japan and Hong Kong, and the insurance intermediary service company in the same country. Costs related to these agreements are reimbursed by the insurance branches directly to the insurance intermediary service companies.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 3 - Intra-group transactions continued

Amounts in USD 000's	Insurance services invoiced	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Lingard	53,810	61,916
Gard (Singapore) Pte. Ltd.	2,995	3,380

Insurance/reinsurance agency agreements

Lingard in its capacity as insurance manager of the Company and Gard M&E has entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branches of the Company and Gard M&E, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the two Bermuda based risk carriers. A similar agency agreement has been entered into between Gard Norway and Gard M&E Europe as the principal and Gard AS as the agent.

Insurance agency agreements have been concluded between Lingard and each of the subsidiaries of Gard AS for the purpose of sub-delegating certain insurance intermediary functions to regional offices in Finland, Greece, Hong Kong, Singapore, Japan, the United Kingdom and the United States of America.

Loan agreement

The Company has entered into loan agreements with AS Assuransegården and Gard AS. A loan granted to Gard AS in order to finance an IT project was waived for the year ended 20 February 2020 due to the termination of the contract.

Amounts in USD 000's	Loan balance	
	As at 20.02.21	As at 20.02.20
AS Assuransegården (borrower)	12,315	10,101
Gard AS (borrower)	0	9,887
Total loan to subsidiaries	12,315	19,989

Amounts in USD 000's	Interest received	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
AS Assuransegården	120	230
Gard AS	51	658

Dividends and capital contributions

Amounts in USD 000's	Dividends received	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Gard M&E	5,000	5,000
Gard Re	0	12,000
Lingard	1,500	4,000
Hydra	0	5,221
Total dividends and capital contributions	6,500	26,221

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
EEA	147,263	128,149	436,221	402,798
Norway	105,736	93,580	125,591	116,774
Other areas	128,077	109,553	375,923	280,260
Total gross written premium	381,076	331,281	937,736	799,831

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

A Member is an owner, operator or charterer (including a bareboat or demise charterer) or a ship entered in the Association who according to the Articles of the Association and the Rules is entitled to membership of the Association. Client is defined as any entity with an active insurance cover from the Gard group of companies that is not in the capacity of a Member (P&I Owners' Entry and Charterer's Entry). Members may also be a Client of Gard.

Members with location in the United Kingdom has been included in Other areas as from the financial year ending 20 February 2021, with USD 11.6 million in the parent accounts and USD 47.2 million in the consolidated accounts (included in EEA for the previous financial year with USD 12.3 million in the parent accounts and USD 38.5 million in the consolidated accounts).

Note 5 - Last instalment

These accounts are prepared on the basis of 10 per cent last instalment in respect of the 2020 policy year.

The reduction in last instalment amounts to USD 38.4 million (financial year ending 20 February 2020 USD 73.9 million). On Estimated Total Call basis the gross written premium for the financial year ending 20 February 2021 is USD 921.6 million (financial year ending 20 February 2020 USD 873.7 million).

The last instalment for the 2019 policy year was reduced to 15 per cent from 20 per cent. Due to high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic the decision on the level of the last instalment for the 2019 policy year (financial year ending 20 February 2020) for was postponed to after the final approval of the financial statements for the respective financial year. The call of 15 per cent for the 2019 policy year, USD 54.5 million, has therefore been included in the financial year ending 20 February 2021.

Starting from the 2021 policy year (financial year ending 20 February 2022), the reduction in the last instalment will be replaced with an Owners' General Discount, which is given as a percentage of the agreed Estimated Total Call at renewal.

Note 6 - 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. The last instalment for P&I business for the accounting year is subject to approval by the Board of Directors in the following year. Supplementary calls for P&I business may be charged to Members for previous policy years.

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.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 6 - Technical result and technical provisions continued

Amounts in USD 000's	P&I	M&E	Parent company		Consolidated accounts		
			21.02.20 to 20.02.21		21.02.20 to 20.02.21		
			Total	P&I	M&E	Total	
Technical result							
Gross written premium	381,076	0	381,076	520,999	416,737	937,736	
Gross earned premium	380,685	0	380,685	519,838	367,813	887,651	
Ceded reinsurance	(270,502)	0	(270,502)	(103,238)	(80,200)	(183,438)	
Earned premium for own account	110,183	0	110,183	416,600	287,613	704,213	
Claims incurred, gross							
Incurred this year	338,220	0	338,220	465,535	258,758	724,293	
Incurred previous years	(5,838)	0	(5,838)	(50,117)	22,483	(27,634)	
Total claims incurred, gross	332,383	0	332,383	415,418	281,241	696,659	
Reinsurers' share of gross incurred claims	(181,575)	0	(181,575)	(2,914)	(61,915)	(64,829)	
Claims incurred for own account	150,808	0	150,808	412,504	219,326	631,830	

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 statement of comprehensive income.

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.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 6 - Technical result and technical provisions continued

Amounts in USD 000's	P&I	Parent company As at 20.02.21		Consolidated accounts As at 20.02.21		
		M&E	Total	P&I	M&E	Total
Technical provisions gross						
Provisions, at the beginning of the year	846,075	0	846,075	1,088,219	292,905	1,381,124
Claims paid	(327,870)	0	(327,870)	(403,348)	(201,147)	(604,495)
Claims incurred - gross this year	338,220	0	338,220	465,535	258,758	724,293
Claims incurred - gross previous years	(5,838)	0	(5,838)	(50,118)	22,483	(27,634)
Provisions, at the end of the year	850,587	0	850,587	1,100,289	372,999	1,473,288
Reinsurers' share of claims provision	(510,928)	0	(510,928)	(164,694)	(82,790)	(247,484)
Provisions net, at the end of the year	339,659	0	339,659	935,595	290,209	1,225,804
Provision for unearned premiums, gross	3,107	0	3,107	4,653	230,819	235,472
Reinsurers' share of premium provision	(1,595)	0	(1,595)	(40)	(41,405)	(41,445)
Provision for unearned premiums, net	1,512	0	1,512	4,613	189,414	194,027

The Company is a member of the International Group of P&I Clubs.

Gross technical provision regarding Pooling Agreement	(178,671)	0	(178,671)	(207,600)	0	(207,600)
Net technical provision regarding Pooling Agreement	(64,295)	0	(64,295)	(104,040)	0	(104,040)

Provision for outstanding claims

Technical provision gross	850,588	0	850,588	1,100,289	372,999	1,473,288
Technical provision net	339,660	0	339,660	935,595	290,209	1,225,804

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 12.1 million as at 20 February 2021 (USD 7.6 million as at 20 February 2020).

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 for the group ranges between USD 1,461 million and USD 1,486 million. The claim reserves for the parent company ranges between USD 844 million and 857 million.

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	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Acquisition costs and commissions				
Sales related salaries and wages	0	0	21,356	23,229
Other acquisition costs	0	0	14,177	15,419
Insurance intermediary	10,996	17,818	0	0
Agents' commission	23,849	20,362	60,051	51,474
Commission received	(51,739)	(42,762)	(19,611)	(17,479)
Insurance related expenses for own account	(16,894)	(4,582)	75,973	72,645
Number of staff	0	0	546	534

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 7 - Insurance related expenses and number of staff continued

Remuneration to Group Leadership Team, Board of Directors and Committees

Amounts in USD 000's	Salary * incl. bonus	Benefits in kind *	Total	Loan balance
Group Leadership Team				
Rolf Thore Roppestad (CEO)	819	69	888	199
Svein Buvik	285	20	305	0
Bjørnar Andresen	439	41	480	324
Torunn Biller White	232	12	244	0
Kristian Dalene	426	189	615	0
Lars Lislegard-Bækken	224	15	239	197
Christen Guddal	415	37	452	0
Line Dahle	249	14	263	201
Christian Pritchard-Davies	252	13	265	33
Total	3,341	410	3,751	954

* All figures are excluding social security costs.

The table below provides information regarding payments made in the financial year 2021 to members of the Board of Directors within the group. Remuneration relating to the financial year 2021, but not yet paid, is accrued for in the accounts.

Amounts in USD 000's	Consolidated accounts			Total remuneration
	Board remuneration	Board committee remuneration	Board remuneration, other group companies	
Members of the Board of Directors				
Morten W. Høegh (Chairman)	30	18	20	68
Michael Lykiardopulo (Deputy Chairman)	25	5	5	35
Nils Aden (Member)	20	15	52	87
Aristidis Alafouzous (Member)	20	0	0	20
Yngvil Åsheim (Member)	20	23	30	73
Ian Beveridge (Member)	20	38	30	88
Ian Blackley (Member)	20	0	0	20
Kuo - Hua Chang (Member)	20	0	0	20
Trond Eilertsen	20	30	81	131
Timothy C. Faries	20	0	5	25
Konstantinos Gerapetritis (Member)	20	5	0	25
Carl-Johan Hagman (Member)	20	15	0	35
Herbjørn Hansson (Member)	20	5	0	25
Kenneth Hvid (Member)	20	5	0	25
Craig Jasienski (Member)	20	5	0	25
Jarle Haugsdal (Member)	20	0	0	20
Georgios Karagergiou (Member)	0	0	0	0
Stephen Knudtzon	20	10	0	30
Jason Liberty (Member)	20	0	0	20
Halvor Ribe (Member)	20	10	0	30
Callum Sinclair (Member)	20	0	0	20
Rajalingam Subramaniam (Member)	20	0	0	20
Jane Lim Sy (Member)	20	15	51	86
Takaya Uchida (Member)	20	0	0	20
Erika Correia (Outgoing employee representative)	0	0	11	11
Anne Glestad Lech (Employee representative)	0	0	11	11
Jostein Aaland (Employee representative)	0	0	0	0
Are Solum (Employee representative)	0	0	11	11
Total	475	199	307	981

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 7 - Insurance related expenses and number of staff continued

Some of the insurance intermediaries offer their employees (minimum 50 per cent position) mortgage loans, secured by real estate. The loans have a rate of interest according to the interest set by the Tax Ministry in Norway and the repayment period is before retirement age.

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 (GLT) 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 20 for definition of base amount). The full pension requires a thirty year accrual period in Gard, or it will be reduced accordingly. The accounting expense for the pension benefits earned in the period are for Roppestad (USD 1.0 million), Guddal (USD 0.3 million), Andresen (USD 0.4 million), Dalene (USD 40 thousand), Buvik (USD 32 thousand), Dahle (USD 19 thousand), Lislegard-Bækken (USD 19 thousand), White (USD 19 thousand), Pritchard-Davies (USD 19 thousand).

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 of GLT and other Key Employees, as defined in the legislation, are participating in the collective bonus scheme subject to certain adjustments required in 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 percent of gross salary. For all employees, excluding GLT and other Key Employees, a bonus of 9.5 percent of gross salary is expected to be paid for the year to 20 February 2021.

The key features of the special terms for members of GLT and Key Employees can be summarized 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 consultation with the Chairman of the Executive Committee of Gard P. & I. (Bermuda) Ltd.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20

Remuneration auditor

Auditing fee	240	298	861	1,115
Tax advising	0	0	116	126
Non audit services	0	0	85	94
Total auditors' fee	240	298	1,062	1,335

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20

Remuneration to related parties

Wikborg, Rein & Co.	0	0	1,360	706
Advokatfirmaet Thommesen AS	0	0	0	93
Appleby (Bermuda) Limited	11	15	18	18
Total remuneration related parties	11	15	1,378	818

Partners in the companies Wikborg Rein & Co and Appleby (previous year also Advokatfirmaet Thommesen AS) are board members of the group. VAT is included in the fees specified above.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20

Net operating expenses

Bad debt	791	33,248	2,702	1,346
Service cost	56,805	65,296	0	0
Allocated to claims handling and acquisition costs	(56,509)	(65,754)	0	0
Other operating expenses	1,623	(29,920)	5,324	7,807
Other insurance related expenses	2,710	2,870	8,026	9,153

Included in other operating expenses are also revenues related to non-insurance activities.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 8 - Non-technical items

Accounting policy

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

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Interest and similar income/(expenses)				
Interest income/(expenses)	(4)	(3)	430	1,134
Income from financial investments	933	2,508	2,384	7,660
Foreign exchange gain/(loss)	3,803	(4,071)	7,337	(5,040)
Total interest and similar income/(expenses)	4,732	(1,566)	10,151	3,755

Note 9 - Tax

Accounting policy

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

Deferred tax/tax asset of the subsidiaries 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.

Taxes are calculated as follows

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Basis for income tax expense, changes in deferred tax and tax payable				
Total comprehensive income/(loss) as basis for tax calculation	(3,186)	(20,911)	67,764	(18,336)
Basis for calculating tax	(3,186)	(20,911)	67,764	(18,336)
Permanent differences	8,940	(5,532)	(12,788)	62,534
Pension charged directly to equity	0	0	(7,464)	(612)
Basis for the tax expense for the year	5,754	(26,443)	47,512	43,586
Change in temporary differences	468	(929)	25,629	(42,918)
Basis for payable taxes in the income statement	6,222	(27,372)	73,141	668
Change in (utilisation of) tax losses carried forward	(2,909)	(6,461)	(15,987)	10,079
Taxable income (basis for payable taxes in the balance sheet)	3,313	(33,833)	57,154	10,747

Income tax expenses

Tax payable	0	0	7,062	10,370
Tax correction earlier year	255	215	(78)	717
Change in deferred tax	610	(6,127)	8,970	1,544
Paid foreign withheld tax	0	0	54	176
Tax expenses ordinary result	865	(5,912)	16,008	12,807

Income tax payable

Tax at the beginning of the year	0	991	13,628	6,903
Tax payable related to the year	0	0	7,052	11,444
Tax paid during the year	0	(997)	(4,128)	(4,252)
Tax correction earlier year	0	0	(304)	(15)
Exchange adjustments	0	6	665	(452)
Tax payable at the end of the year	0	0	16,913	13,628

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 9 - Tax continued

Taxes are calculated as follows

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20

Deferred tax/tax asset

Specification of tax effect resulting from temporary differences

Pension obligations	0	0	44,140	32,578
Portfolio investments	0	0	(26,183)	(13,580)
Equipment	0	0	859	499
Tax loss carried forward	79,691	78,479	128,122	155,137
Retained earnings	0	0	(80,482)	(83,468)
Other temporary differences	2,302	(929)	8,632	3,839
Total temporary differences	81,993	77,550	75,088	95,005
Deferred tax asset, 25 per cent of total temporary differences	20,498	19,387	18,772	23,751

As a company organised under the laws of Bermuda, the Company is not subject to taxation in Bermuda, as Bermuda does not impose taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until 28 March 2035.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20

Reconciliation of the tax expense

Basis for calculating tax	(3,186)	(20,911)	67,764	(18,336)
Calculated tax 25 per cent	(797)	(5,228)	16,941	(4,584)
Tax expense	865	(5,912)	16,008	12,807
Difference	(1,662)	684	933	(17,391)

The difference consists of:

Changes in permanent and temporary differences not subject to deferred tax	(2,235)	408	1,939	(18,457)
Tax regarding tax audit earlier year	(255)	(215)	(245)	769
Differences related to different tax rates within the group	680	491	(396)	150
Other differences	148	0	(365)	147
Sum explained differences	(1,662)	684	933	(17,391)

Note 10 - Intangible assets

Accounting policy

Intangible assets relate to key software used in the group's operation. External cost of acquiring and implementing software as well as employee costs directly attributable to implementation are capitalized. Amortisation is charged to comprehensive income on a straight-line basis over the estimated useful life of each intangible asset, starting from the point at which the asset is ready for use.

Amounts in USD 000's	Consolidated accounts	
	As at 20.02.21	As at 20.02.20

Developed software at cost

Costs at the beginning of the year	10,403	48,822
Net additions/(disposals)	5,623	2,503
Correction impairment previous year	0	(40,273)
Exchange adjustments	1,061	(649)
Costs at the end of the year	17,087	10,403

Depreciation and impairment at the beginning of the year	7,030	47,543
Depreciation	618	314
Impairment	0	(40,273)
Exchange adjustments	717	(554)
Depreciation at the end of the year	8,365	7,030

Net book value at the end of the year	8,722	3,374
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Amortisation period	3-5 years
Amortisation type	linear

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 11 - Property and plant used in operation

Accounting policy

Property, plant and equipment, Notes 11 and 12, is capitalised and depreciated linearly over its estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and are depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount.

Amounts in USD 000's	Real estate	Property, plant	Consolidated accounts
	As at 20.02.21	As at 20.02.21	Total As at 20.02.21
Costs at the beginning of the year	18,391	15,738	34,129
Net additions/(disposals)	338	5,225	5,563
Exchange adjustments	1,825	1,605	3,430
Costs at the end of the year	20,554	22,568	43,122
Depreciation at the beginning of the year	9,416	3,484	12,901
Depreciation charge for the year	251	418	669
Impairment	56	654	710
Exchange adjustments	926	355	1,281
Depreciation at the end of the year	10,650	4,911	15,561
Net book value at the end of the year	9,904	17,657	27,561

Amounts in USD 000's	Real estate	Property, plant	Consolidated accounts
	As at 20.02.20	As at 20.02.20	Total As at 20.02.20
Costs at the beginning of the year	19,760	16,183	35,943
Net additions/(disposals)	101	791	891
Exchange adjustments	(1,471)	(1,235)	(2,705)
Costs at the end of the year	18,391	15,738	34,129
Depreciation at the beginning of the year	9,882	3,432	13,313
Depreciation charge for the year	267	315	582
Exchange adjustments	(733)	(262)	(995)
Depreciation at the end of the year	9,416	3,484	12,901
Net book value at the end of the year	8,974	12,254	21,228
Amortisation period	67 years	5-20 years	
Amortisation type	linear	linear	

Rent included in the consolidated accounts is charged to Comprehensive income in the period the offices are used. Any remaining rental liabilities are not included in the balance sheet. Rental liabilities amount to USD 15.1 million as at the balance sheet date (USD 15.8 million as at 20 February 2020). Total costs regarding rent in the consolidated account amount to USD 4.6 million (USD 4.6 million as at 20 February 2020).

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 12 - Equipment

Amounts in USD 000's	Parent company		Consolidated accounts	
	Art As at 20.02.21	Art	Equipment	Total As at 20.02.21
Acquisition costs at the beginning of the year	1,356	4,377	16,820	21,196
Net additions/(disposals)	0	2	259	261
Exchange adjustments	0	11	1,475	1,487
Costs at the end of the year	1,356	4,390	18,554	22,944
Depreciation at the beginning of the year	695	1,477	11,829	13,307
Depreciation charge for the year	0	0	726	726
Exchange adjustments	0	5	1,041	1,046
Depreciation at the end of the year	695	1,482	13,596	15,078
Net book value at the end of the year	661	2,908	4,958	7,866

Amounts in USD 000's	Parent company		Consolidated accounts	
	Art As at 20.02.20	Art	Equipment	Total As at 20.02.20
Acquisition costs at the beginning of the year	1,356	4,377	15,659	20,036
Net additions/(disposals)	0	0	2,109	2,109
Exchange adjustments	0	0	(949)	(949)
Costs at the end of the year	1,356	4,377	16,820	21,196
Depreciation at the beginning of the year	695	1,474	10,937	12,411
Depreciation charge for the year	0	0	1,594	1,594
Exchange adjustments	0	4	(702)	(699)
Depreciation at the end of the year	695	1,477	11,829	13,307
Net book value at the end of the year	661	2,899	4,991	7,890

Amortisation period
Amortisation type

3-5 years
linear

Note 13 - Investments in subsidiaries

Accounting policy

Investments in the subsidiaries are valued at the lower of cost and fair value in the parent company accounts. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

In the financial year ending 20 February 2021, the 100 % owned company Safeguard was dissolved.

Amounts in USD 000's	Ownership	Voting share	Place of office	ShareBook value USD capital As at 20.02.21
AS Assuransegården	100%	100%	Norway	NOK 22,220 21,096
Gard AS	100%	100%	Norway	NOK 30,000 70,932
Gard Marine & Energy Limited	100%	100%	Bermuda	USD 190,000 197,737
Gard Reinsurance Co Ltd	100%	100%	Bermuda	USD 150,000 295,000
Hydra Insurance Company Ltd. (Gard's cell)	100%	100%	Bermuda	USD 7,698 7,698
Lingard Limited	100%	100%	Bermuda	USD 900 900
Total				593,363

Note 14 - 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.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

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. Derivative financial investments are also categorised as held for trading.

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.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where group's management has the positive intention and ability to hold to maturity, other than:

- Those that the group upon initial recognition designates as at fair value through profit or loss;
- Those that meet the definition of loans and receivables.

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.

Interest on held-to-maturity investments is included in the consolidated statement of comprehensive income and reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of comprehensive income.

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 statement of comprehensive income. 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 investment's fair value using an observable market price.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

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 income statement.

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 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 Gard group 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 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 derivatives 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.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

Amounts in USD 000's	Parent company As at 20.02.21				Parent company As at 20.02.20			
	Quoted market price	Observable market data	Non observable data	Total	Quoted market price	Observable market data	Non observable data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	143,403	36,907	180,310	0	137,200	34,706	171,906
Interest-bearing securities and funds	54,495	374,456	29,693	458,644	57,295	366,447	10,574	434,316
Other financial investments	18,130	0	0	18,130	12	0	0	12
Total financial investments	72,625	517,859	66,600	657,084	57,307	503,648	45,280	606,234

Amounts in USD 000's	Consolidated accounts As at 20.02.21				Consolidated accounts As at 20.02.20			
	Quoted market price	Observable market data	Non observable data	Total	Quoted market price	Observable market data	Non observable data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	471,314	87,591	558,905	0	466,930	105,575	572,504
Interest-bearing securities and funds	229,559	1,404,192	59,385	1,693,137	130,591	1,377,683	21,148	1,529,422
Other financial investments	43,388	0	0	43,388	35	0	0	35
Total financial investments	272,947	1,875,507	146,976	2,295,430	130,626	1,844,613	126,722	2,101,961

The majority of investments held are subfunds of the Gard Unit Trust Fund, a legal fund structure established in Ireland.

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 group possesses only minority interests in quoted companies. The group also has funds other than the Gard Unit Trust Fund that hold investments in direct property, alternatives and private debt.

Interest-bearing securities and funds

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

Amounts in USD 000's	Investment profile	Currency	Parent company As at 20.02.21
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	13,309
Gard Global Impact Equity Fund	Global equity	USD	21,029
Gard Emerging Markets Fund	Emerging market equity	USD	19,404
Gard Global Equity Fund II	Global equity	USD	39,896
Phoenix Global Real Estate Fund I	Global real estate	USD	1,978
Aberdeen Frontier Equity Fund	Frontier equity	USD	944
GS Specialized Investment Fund	Volatility option strategy	USD	48,821
CBRE Global Real Estate Fund	Global real estate	USD	34,929
Total Equity funds			180,310
Total Equities and investment funds			180,310
The part of Equity fund invested in quoted shares			94,581

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

Amounts in USD 000's	Investment profile	Currency	Parent company As at 20.02.21
Interest-bearing securities			
US Treasury Bills	US Treasury bond	USD	28,588
Total Interest-bearing securities			28,588
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	6,677
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	76,163
Gard Global Credit Bond Fund I	Global corporate bonds	USD	43,187
Northern Trust Cash Fund	Money market US Dollar	USD	15,708
Gard Emerging Market Debt Fund	Emerging market debt	USD	50,758
Gard Global Bond Fund I	Global aggregate bonds	USD	142,990
CQS Credit Fund	Global multi asset credit	USD	54,681
Gard Private Debt Fund	Global private debt	USD	29,693
MFC Ishares TIPS	Government debt	USD	10,199
Total Interest-bearing funds			430,056
Total Interest-bearing securities and funds			458,644

The group has an equity exposure of 15.9 per cent (financial year ending 20 February 2020 16.6 per cent) of its total investments.

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts As at 20.02.21
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	88,840
Gard Global Impact Equity Fund	Global equity	USD	71,483
Gard Emerging Markets Fund	Emerging market equity	USD	83,117
Gard Global Equity Fund II	Global equity	USD	76,128
Phoenix Global Real Estate Fund I	Global real estate	USD	1,978
Aberdeen Frontier Equity Fund	Frontier equity	USD	944
GS Specialized Investment Fund	Volatility option strategy	USD	48,821
CBRE Global Real Estate Fund	Global real estate	USD	69,858
Phoenix Global Real Estate Fund II	Global real estate	USD	15,754
Bridgewater Pure Alpha Fund	Global tactical asset allocation	USD	101,982
Total Equity funds			558,905
Total Equities and investment funds			558,905
The part of Equity fund invested in quoted shares			320,512

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts As at 20.02.21
Interest-bearing securities			
US Treasury Bills	US Treasury bond	USD	57,565
Total Interest-bearing securities			57,565
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	244,789
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	234,037
Gard Global Credit Bond Fund I	Global corporate bonds	USD	168,726
Northern Trust Cash Fund	Money market US Dollar	USD	151,974
Gard Emerging Market Debt Fund	Emerging market debt	USD	127,495
Gard Global Bond Fund I	Global aggregate bonds	USD	445,678
CQS Credit Fund	Global multi asset credit	USD	183,467
Gard Private Debt Fund	Global private debt	USD	59,386
MFC Ishares TIPS	Government debt	USD	20,020
Total Interest-bearing funds			1,635,572
Total Interest-bearing securities and funds			1,693,137

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - 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 regularly, managed proactively, monitored regularly and reported to the relevant responsible body.

Main financial risks

The Covid-19 pandemic situation was monitored closely throughout 2020, not only the development of market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. During the year, management took steps to manage the adverse financial and operational effects as events unfolded, with satisfactory results as the year came to an end. Future challenges due to Covid-19 might arise, however the experience from the previous year will strengthen the risk management going forward.

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 is broadly matched to the expected duration of the liabilities. The sensitivity analysis for interest-bearing securities instruments is testing the portfolio's interest rate sensitivity with a weighted average duration approach. Interest sensitive liabilities are not part of the analysis.

Alternatives risk

The risk that the actual return or performance relative to benchmark of investments due to active management decisions will be lower than expected. The sensitivity analysis for alternative risk is assigned to a global alternative fund which aims to generate excess return by tactically adjusting asset allocation across a variety of asset classes.

Real estate risk

The risk of economic losses resulting from deviations of actual values and/or income from real estate from those expected. The sensitivity analysis for real estate risk is performed on funds which represent the part that is strategically allocated to real estate.

Currency risk

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange rates. Foreign currency exposures are assumed to be tightly matched across the balance sheet and managed with an emphasis 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 enterprise risk models.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Currency split balance sheet

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Assets				
USD	1,749,589	1,700,522	2,813,182	2,512,617
EUR	21,154	26,809	83,160	72,445
GBP	13,930	16,626	34,751	33,557
Other	144,912	147,729	275,287	262,810
Total assets	1,929,585	1,891,687	3,206,380	2,881,429
Equity and liabilities				
USD	1,598,322	1,615,840	2,496,582	2,265,510
EUR	160,740	147,605	288,627	266,565
GBP	100,356	94,210	153,859	115,285
Other	70,167	34,033	267,312	234,069
Total equity and liabilities	1,929,585	1,891,687	3,206,380	2,881,429
Net asset exposure				
USD	151,267	84,683	316,600	247,106
EUR	(139,586)	(120,796)	(205,467)	(194,119)
GBP	(86,426)	(77,584)	(119,108)	(81,728)
Other	74,745	113,697	7,975	28,741

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	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Impact on fixed income portfolio investments given an increase of 50 basis points	(6,702)	(7,486)	(24,458)	(26,360)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(14,347)	(13,728)	(36,950)	(35,352)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(15,265)	(15,509)	(50,507)	(53,427)
Impact on real estate portfolio given a 10 per cent drop in NAV	(3,691)	(3,471)	(8,759)	(10,557)
Impact on alternatives portfolio given a 10 per cent drop NAV	0	0	(10,198)	(11,369)

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 Gard group 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.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Counterparty default risk

The main sources of counterparty default risk are reinsurers, cash deposits at banks, derivative counterparties, 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, three have ratings of BBB or lower.

Banks and custodians are in line with the guidelines with a credit rating of at least A/stable, except from minor amounts that have ratings of BB, in addition to not rated petty cash.

The Group also has counterparty default risk over-the-counter (OTC) financial derivative positions. However, common risk mitigation techniques are exercised to minimise the default risk towards counterparties. 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 2021. 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	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Interest-bearing securities and funds				
AAA	15,708	36,419	151,974	72,038
AA	28,588	20,876	57,566	58,553
Not rated	414,348	377,021	1,483,598	1,398,831
Total interest-bearing securities and funds	458,644	434,316	1,693,137	1,529,422
Other financial investments				
A	18,130	12	43,388	35
Total other financial investments	18,130	12	43,388	35
Reinsurers' share of gross claims reserve				
AA	7,597	15,976	9,074	17,098
A	490,914	480,342	137,098	155,296
BBB	12,417	11,052	100,725	54,413
Not rated	0	0	587	433
Total reinsurers' share of gross claims reserve	510,928	507,370	247,484	227,240
Receivables				
AA	396	0	527	0
A	28,571	31,485	6,705	6,482
BBB	1,235	3,359	1,573	110
Not rated	32,031	35,225	298,873	217,346
Total receivables	62,233	70,069	307,678	223,937
Cash and cash equivalents				
AA	63,015	60,423	127,306	125,069
A	0	3,435	57,185	57,983
BB	0	0	193	127
BBB	0	0	1,778	0
Not rated	0	0	9	10
Total cash and cash equivalents	63,015	63,858	186,471	183,189

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Other financial assets presented in balance sheet*				
AAA	5,478	0	21,931	0
AA	0	5,460	0	11,095
A	0	0	2,004	1,895
BB	0	453	5,000	5,910
Not rated	12,315	19,989	826	891
Total other financial assets presented in balance sheet	17,793	25,902	29,761	19,792

* Includes loan to subsidiaries and other financial assets.

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Not due	56,674	66,655	285,174	192,951
0-60 days	1,851	748	13,999	17,246
61-90 days	2,379	4	4,860	3,694
Above 90 days	3,795	5,156	12,263	17,217
Provision for bad debt	(2,466)	(2,494)	(8,618)	(7,171)
Total receivables	62,233	70,069	307,678	223,937

Impaired receivables

As at 20 February 2021 there are impaired receivables in the parent company of USD 2.5 million (20 February 2020 USD 2.5 million) and there are impaired receivables in the consolidated accounts of USD 8.6 million (20 February 2020 USD 7.2 million), related to past due. No collateral is held as security for the impaired receivables, but the receivables can be deducted from future claim payments if any. Impairment allowance is included in 'Other insurance related expenses'.

Analysis of provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Balance as at the beginning of the year	2,494	2,002	7,171	6,313
Provision for receivables impairment	1,783	492	3,308	588
Receivables written off during the year as uncollectable	(818)	(82)	(1,160)	768
Unused amounts reversed	(993)	82	(701)	(498)
Balance as at the end of the year	2,466	2,494	8,618	7,171

The creation and release of provisions 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.

Liquidity risk

The risk that cash and other liquid assets 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. The risk is mitigated through a cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransegården that improves access to liquidity across the legal entities.

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 Gard group maintains highly marketable financial investments and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. This, combined with the cash pool to meet liquidity needs, gives a presentation of how assets and liabilities have been matched.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.21 Total
Gross claims reserve	268,316	511,228	71,043	0	850,587
Payables and accruals	88,783	0	0	0	88,783
Other payables	145	0	0	0	145

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.20 Total
Gross claims reserve	254,660	498,328	93,087	0	846,075
Payables and accruals	69,545	0	0	0	69,545
Other payables	111	0	0	0	111

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.21 Total
Gross claims reserve	506,127	870,328	96,833	0	1,473,288
Income tax payable	16,913	0	0	0	16,913
Payables and accruals	162,071	0	0	0	162,071
Other payables	8,844	0	0	0	8,844

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.20 Total
Gross claims reserve	449,986	804,155	126,983	0	1,381,124
Income tax payable	13,628	0	0	0	13,628
Payables and accruals	76,955	0	0	0	76,955
Other payables	9,799	0	0	0	9,799

Note 16 - Pensions

Accounting policy

The Gard group operates various pension schemes and employees are covered by pension plans, which comply with local laws and regulations in each country in which the group operates. The companies have a defined contribution plan and a closed defined benefit plan.

Pension obligations

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a straight-line earnings method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in technical result.

For defined contribution plans, the companies pay contributions to privately administered pension insurance plans on a contractual basis. The companies have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pensions

The companies have entered into pension contracts with some former and current employees. These contracts are mainly financed directly through the companies' operations. The subsidiaries have entered into various pension plans with both former and present employees.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 16 - Pensions continued

The companies have collective pension agreements in place in accordance with the Norwegian Pension Act. As of 31 December 2015 the defined benefit plan was terminated for active employees, with the option for employees born in or before 1954 to remain in the previous defined benefit plan. All other active employees have been transferred to a defined contribution plan with effect of 1 January 2016, with contribution levels of 7 per cent from 0 – 12 G, and an additional 18.1 per cent from 7.1 – 12 G. G is a base rate used as the basis for calculating benefits. G is adjusted annually and is approved each year by the Norwegian parliament. The last time G was updated was in May 2020. As of 20 February 2021 G equals NOK 101.351 (USD 12,002). Retired and disabled employees were not subject to change and remain in the defined benefit plan. All employees hired after February 2009 are covered by the new levels in the defined contribution scheme.

The contribution plan as of 1 January 2021 covers a total of 381 employees, including four of the employees who made the active choice to be transferred. In the defined contribution plan eight employees are disabled.

In relation to the defined benefit plan, 7 employees born in 1954 or earlier remain active members, 11 are partly or wholly disabled, 3 are active with flexible pension withdrawals and 79 are retired.

In addition to the collective agreement, all employees can apply for a tariff based lifelong retirement pension (AFP) which the employee may start to draw from the age of 62. The AFP pension is partially financed by Gard AS.

The closed pension scheme for part of the Group Leadership Team, which provides coverage for an amount above 12 G as well as early retirement, is secured by an agreement with Norsk Tillitsmann Pensjon/Nordic Trustee. The obligation is secured through a pledge deposit on a bank account owned by Gard AS. The same solution is in place with respect to a compensation agreement for GLT members being transferred from the defined benefit plan to the defined contribution plan with effect from 1 January 2016.

For the defined benefit pension plan actuarial calculations are made with regard to pension commitments and funds at year end and resulting changes in pension obligations are charged to the income statement and other comprehensive income. Pension costs and pension liabilities have been accounted for in accordance with IAS19.

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Pension cost				
Defined benefit pension plans				
Pension benefits earned during the year	113	40	1,689	1,497
Interest expense on earned pension	16	17	1,470	1,483
Yield on pension funds	0	0	(647)	(643)
Net pension cost earning related plan	129	58	2,512	2,338
Defined contribution pension plan	0	0	7,401	6,211
Total pension cost charged to the statement of comprehensive income	129	58	9,913	8,549
Changes in pension assumptions charged to other comprehensive income				
Change in pension assumptions	(70)	(44)	(7,008)	(862)
Income tax related to change in pension assumptions	0	0	1,736	205
Liabilities according to the actuarial calculations				
Pension obligation gross	(1,417)	(1,244)	(75,742)	(61,228)
Pension funds at market value	0	0	29,566	26,612
Net pension obligation at the end of the year	(1,417)	(1,244)	(46,176)	(34,615)
Changes in pension funds at market value				
Fair value of assets at the beginning of the year	0	0	31,420	30,513
Expected return on plan assets	0	0	648	643
Actuarial gains or losses	0	0	268	276
Employer contribution	0	0	872	1,274
Benefits paid	0	0	(1,545)	(1,286)
Fair value of assets at the end of the year	0	0	31,663	31,420

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 16 - Pensions continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Financial assumptions	Per cent	Per cent	Per cent	Per cent
Discount rate	1.70	2.30	1.70	2.30
Assumed annual salary regulation	2.25	2.25	2.25	2.25
Assumed pension increase	1.50	1.50	1.50	1.50
Assumed regulations of public pensions	2.00	2.00	2.00	2.00
Assumed yield on funds	1.70	2.30	1.70	2.30
Actual yield on funds	5.57	6.10	5.57	6.10

Note 17 - Receivables from direct insurance operations

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Direct and received premium	13,984	14,616	40,206	31,214
Direct and received premium through broker	(14)	0	102,759	95,736
Accrued last instalment	25,800	(34)	38,345	(35)
Not closed premium	0	181	66,045	45,559
Claims related debtors, co-insurers	0	0	42,732	24,085
Provision for bad debts	(2,466)	(2,494)	(5,742)	(4,119)
Receivables from direct insurance operations	37,304	12,269	284,345	192,440

Note 18 - Other receivables and other payables

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Other receivables				
Other receivables	0	0	1,626	1,548
Other receivables from subsidiaries	13,386	1,848	0	0
Loan to employees	0	0	20,730	21,797
Total other receivables	13,386	1,848	22,356	23,345
Other payables				
Other payables	145	111	8,844	9,799
Total other payables	145	111	8,844	9,799

Note 19 - 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 include restricted cash amounting to USD 31.6 million as at 20 February 2021 (USD 28 million as at 20 February 2020). The Company has a group account agreement and participates in a cash pool agreement. Both agreements are made with the Company's main bank, Nordea Bank Abp filial i Norge. The group account agreement implies that the Company can make overdrafts on individual bank accounts as long as the Company's total bank deposit is positive. The cash pool agreement secures efficient use of the operating bank deposits through the companies' opportunities to make use of the overdraft facility on individual bank accounts. Each company participating in the cash pool agreement is jointly liable for the overdraft facility through unsecured guarantees.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 20 - Statutory reserve

Gard P. & I. (Bermuda) Ltd. is registered under and regulated by the Insurance Act 1978 and related regulations. The Company is under the supervision of the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. Gard P. & I. (Bermuda) Ltd. maintained a statutory reserve of USD 462,500 and all regulatory requirements are complied with as at 20 February 2021.

The Company is a member of the property and casualty insurance companies guarantee scheme. The purpose of the scheme is to ensure payments to assured and third parties, pursuant to the Norwegian Act on Bank Contingency Scheme and Insurance Companies' Guarantee Scheme of 1996 no. 75. Provision shall be made for payment of 1 per cent of gross premium relevant to the scheme.

Note 21 - Statutory and regulatory requirement

Gard P. & I. (Bermuda) Ltd. including subsidiaries have operations which are subject to laws and regulations in the jurisdictions in which they operate, of which the most significant ones are Bermuda and Norway. The statutory capital and surplus in Bermuda and Norway as at 20 February 2021 and 2020 was as follows:

Amounts in USD 000's	Parent Bermuda (a)		Regulated by Bermuda (b)		Regulated by Norway (c)	
	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Required statutory capital and surplus	33,986	33,986	86,597	263,107	396,640	374,332
Actual capital and surplus	985,545	998,479	704,549	637,099	522,093	455,644

(a) As a Class 2 company, Gard P. & I. (Bermuda) Ltd. is required to maintain minimum statutory capital and surplus equal to the Minimum Solvency Margin ("MSM").

(b) The Company's Bermuda based insurance subsidiaries are required to maintain minimum statutory capital and surplus equal to the greater of a Minimum Solvency Margin ("MSM") and the Enhanced Capital Requirement ("ECR"). The ECR is equal to the higher of each insurers' MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for the relevant insurers for the year ended 20 February 2021 will not be filed with the BMA until June 2021. As a result, the required statutory capital and surplus as at 20 February 2021, as set out above, is based on the MSM of all relevant insurers, whereas the required statutory capital and surplus as at 20 February 2020 is based on the MSM and ECR where applicable for all relevant insurers. Required statutory capital and surplus includes Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard Reinsurance Co Ltd and Hydra Gard Cell.

(c) Gard P. & I. (Bermuda) Ltd., Norwegian branch, Gard Marine & Energy Limited, Norwegian branch, Assuranceforeningen Gard - gjensidig - and Gard Marine & Energy Insurance (Europe) AS are required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The statutory capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and Assuranceforeningen Gard - gjensidig - include supplementary calls based on gross written premium for the last three open policy years. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Services Authority (Finanstilsynet) until May 2021. As a result, preliminary figures are included as at 20 February 2021.

Statutory capital and surplus and actual capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and Gard Marine & Energy Limited, Norwegian branch are included in both (a) and (c).

GARD P. & I. (BERMUDA) LTD.

AUDITOR'S REPORT

To the Members of Gard P. & I. (Bermuda) Ltd.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gard P. & I. (Bermuda) Ltd., which comprise:

- The financial statements of the parent company Gard P. & I. (Bermuda) Ltd., (the "Company"), which comprise the balance sheet as at February 20, 2021, 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, and
- The consolidated financial statements of Gard P. & I. (Bermuda) Ltd., and its subsidiaries (together the "Group"), which comprise the balance sheet as at February 20, 2021, 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 of the Company give a true and fair view of the financial position of the Company as at February 20, 2021, and its financial performance and its cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.
- The accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at February 20, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

Basis for Opinion

We conducted our audit in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements of the Company and the consolidated financial statements of the Group in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report (but does not include the financial statements of the Company and the consolidated financial statements of the Group and our auditor's report thereon).

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

In connection with our audit of the financial statements of the Company and the consolidated financial statements of the Group, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or the consolidated financial statements of the Group 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 (together "Management") are responsible for the preparation of the financial statements of the Company and the consolidated financial statements of the Group that give a true and fair view in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance, and for such internal control as Management determines is necessary to enable the preparation of financial statements of the Company and the consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company and the consolidated financial statements of the Group, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the consolidated financial statements of the Group 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, both the Company's and the Group's.

GARD P. & I. (BERMUDA) LTD.

AUDITOR'S REPORT CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company and the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Company and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton, Bermuda
May 12, 2021

A blue-tinted landscape photograph of a lake and mountains under a cloudy sky. The text 'ADDITIONAL INFORMATION' is overlaid in white.

ADDITIONAL INFORMATION

KEY FINANCIALS GARD GROUP

2012 – 2021

Amounts in USD millions, ETC basis	2012	2013	2014	2015	2016	2017	2018	2019	20 February	
									2020	2021
Gross written premium	855	884	959	991	911	824	775	798	874	922
Earned premium for own account	700	712	764	842	764	707	626	619	656	688
Claims incurred for own account	-595	-600	-643	-631	-532	-493	-479	-537	-586	-632
Operating expenses net	-92	-122	-97	-110	-99	-94	-90	-145	-83	-84
Result on technical account	13	-10	24	101	133	120	59	-61	-10	-26
Result on non-technical account	49	113	76	23	-54	104	144	-9	118	113
Net result before tax	62	103	100	124	79	224	203	-70	108	86
Tax	-11	-5	-11	-6	-8	-8	-9	19	-13	-16
Total comprehensive income	51	98	89	87	86	215	193	-53	93	69
Changes in last instalment*	-14	-31	-35	-37	-37	-89	-79	-37	-72	16
Combined ratio (ETC-basis)	98%	101%	97%	88%	83%	83%	91%	110%	102%	104%
Equity	826	895	920	969	1,017	1,135	1,249	1,159	1,179	1,263

* Net of commission.

GARD P. & I. (BERMUDA) LIMITED

POLICY YEAR ACCOUNTS

Amounts in USD 000's Policy year	Consolidated accounts		
	2020	2019	2018
Premiums and calls			
Premiums	424,441	438,005	441,321
Additional calls debited	1,438	60,004	41,252
Estimated last instalment	37,834	0	0
Total premiums and last instalment	463,713	498,009	482,573
Reinsurance premiums	(105,105)	(99,559)	(104,757)
Net premium earned	358,609	398,451	377,816
Incurred claims net			
Claims paid	153,389	230,032	252,102
Estimates on outstanding claims	193,594	188,121	158,981
IBNRs	80,119	6,187	5,665
Unallocated Loss Adjustment Expenses	6,234	5,290	5,512
Incurred claims net	433,337	429,630	422,261
Acquisition cost and net operating expenses	35,088	38,881	102,190
Technical result	(109,817)	(70,060)	(146,634)

Notes to the consolidated policy year accounts

- Premiums, supplementary calls, reinsurances and claims are credited/charged to the policy year to which they relate. Operating expenses are charged/credited to the same policy year as the financial year in which they are brought to account.
- The annual accounts include a reduction of the last instalment to 10 % levied for the 2020 policy year. The original estimate for the year was 20 per cent.
- The approximate additional premium of 10 per cent from a supplementary call on the open policy years would be:
 - 2018 policy year USD 30.7 million
 - 2019 policy year USD 36.9 million
 - 2020 policy year USD 38.4 million
- Incurred claims net comprises claims paid net of reinsurance recoveries, together with contributions to other P&I associations under the Group Pooling arrangement and net estimates for outstanding and unreported claims.

Estimates on outstanding claims refer to those incidents which have been notified to the Association (RBNS) and on which estimates of the expected exposure have been placed. Incurred but not reported claims (IBNRs) have been calculated on a basis approved by the Company's actuary.

Due to the characteristics of P&I claims, both RBNS and IBNR, in particular in respect of the more recent years, may change substantially.
- Provision for outstanding and unreported claims for closed years before policy year 2018, USD 285.9 million, consists of estimated outstanding claims in the amount of USD 242.3 million and estimates for IBNR claims of USD 43.6 million.

AVERAGE EXPENSE RATIO (AER) - P&I

In accordance with Schedule 3 of the International Group Agreement 1999 the group is required to disclose the AER for the group's P&I business for the five years ended 20 February 2021. The ratio of 13.51 per cent (12.81 per cent last year) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements.

The five year AER for the group's P&I business expresses the operating costs on a consolidated basis as a percentage of the relevant premiums and investment income earned. Operating costs of the P&I business exclude all claims handling costs. Investment income earned is stated after deducting all investment management costs. Internal claims handling and internal investment management costs include a reasonable allocation for general overhead expenses.

GARD P. & I. (BERMUDA) LIMITED

NOTICE OF AGM

To: The Members of Gard P. & I. (Bermuda) Ltd.

NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting of Gard P. & I. (Bermuda) Ltd. (the "Company") will be held by Teams video conference call initiated from the offices of its Manager, Lingard Limited, at Trott & Duncan Building, 17A Brunswick Street, Hamilton HM 10, Bermuda, on Thursday, 1 July 2021 at 12:00 noon, or as soon thereafter as possible, for the following purposes:

AGENDA

1. To appoint a Chairman and a Secretary of the Meeting.
2. To read the Notice calling the Meeting and to confirm that a quorum is present.
3. To consider the Minutes of the 2020 Annual General Meeting of the Company held on 1 July 2020.
4. To receive the Auditor's report and Financial Statements for the year ended 20 February 2021.

5. a) To elect Directors and Alternate Directors;
b) To authorise the Directors to fill any vacancies on the Board;
c) To authorise the Directors to appoint Alternate Directors;
and
d) To determine the remuneration of the Directors and the Alternate Directors.
6. To elect members of the Election and Governance Committee.
7. To appoint Auditors for the financial year to 20 February 2022.
8. To ratify and confirm the actions of the Directors and Officers of the company in relation to the Company duties.

By order of the Board of Directors

12 May 2021

Graham W. Everard
Secretary

MEETING DATES

AGM

Wednesday 1 July 2020 at 12.00 hrs, Bermuda

Board of Directors

Saturday 9 May 2020, Athens
Monday 11 May 2020, Athens
Wednesday 1 July 2020, Bermuda
Wednesday 4 November 2020, Bermuda
Thursday 5 November 2020, Bermuda

Executive Committee

Thursday 23 January 2020, London
Monday to Wednesday 20-22 April 2020, Bermuda
Saturday 9 May 2020, Athens
Monday 15 June 2020, telephone
Tuesday to Wednesday 22-23 September 2020, telephone
Wednesday 4 November 2020, Bermuda

Audit Committee

Wednesday 22 January 2020, London
Thursday 16 April 2020, telephone
Friday 8 May 2020, Athens
Monday 15 June 2020, telephone
Monday 21 September 2020, telephone
Tuesday 3 November 2020, Bermuda
Thursday 17 December 2020, telephone

GARD P. & I. (BERMUDA) LIMITED

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Morten W. Høegh, *Chairman*, Leif Høegh (UK) Ltd., London
Michael Lykiardopulo, *Deputy Chairman*, Neda Maritime Agency Co Ltd, Piraeus
Aristidis Alafouzou, Kyklades Maritime Corporation, Piraeus
Nils Aden, V. Ships (Germany) GmbH, Hamburg
Yngvil Åsheim, BW Maritime, Singapore/Oslo
Ian Beveridge, Bernhard Schulte GmbH & Co. KG, Hamburg
Ian Blackley, International Seaways Inc., New York
Kuo-Hua Chang, Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen, Oslo
Timothy C. Faries, Bermuda
Costas Gerapetritis, Navios Shipmanagement Inc., Piraeus
Carl Johan Hagman, Stena Rederi AB, Gothenburg
Herbjørn Hansson, Nordic American Tankers Limited, Bermuda
Jarle Haugsdal, Kristian Gerhard Jebsen Group Limited, Bergen
Kenneth Hvid, Teekay Shipping (Canada) Ltd., Vancouver
Craig Jasienski, Wallenius Wilhelmsen ASA, Oslo
Georgios Karageorgiou, Olympic Shipping and Management S.A., Paleo Faliro
Stephen Knudtzon, Oslo
Jason Liberty, Royal Caribbean Cruises Ltd, Miami
Halvor Ribe, J.J. Ugland Companies, Grimstad
Callum Sinclair, Berge Bulk, Singapore
Rajalingam Subramaniam, AET Group, Singapore
Jane Sy, Stolt Tankers B.V., Rotterdam
Takaya Uchida, Meiji Shipping Co. Ltd., Tokyo
Rolf Thore Roppestad, President, Arendal

Executive Committee

Trond Eilertsen, *Chairman*, Oslo
Yngvil Åsheim, BW Maritime, Singapore/Oslo
Nils Aden, V. Ships (Germany) GmbH, Hamburg
Jane Sy, Stolt Tankers B.V., Rotterdam
Ian Beveridge, Bernhard Schulte GmbH & Co. KG, Hamburg
Carl Johan Hagman, Stena Rederi AB, Gothenburg
Rolf Thore Roppestad, President, Arendal

Election & Governance Committee

Morten W. Høegh, *Chairman*, Leif Høegh (UK) Ltd., London
Kenneth Hvid, Teekay Shipping (Canada) Ltd., Vancouver
Herbjørn Hansson, Nordic American Tanker Limited, Bermuda
Michael Lykiardopulo, Neda Maritime Agency Co Ltd, Piraeus

Audit Committee

Ian Beveridge, *Chairman*, Bernhard Schulte GmbH & Co. KG, Hamburg
Halvor Ribe, J.J. Ugland Companies, Grimstad
Stephen Knudtzon, Oslo
Jarle Haugsdal, Kristian Gerhard Jebsen Group Limited, Bergen

Risk Committee

Morten W. Høegh, *Chairman*, Leif Høegh (UK) Ltd., London
Ian Beveridge, Bernhard Schulte GmbH & Co. KG, Hamburg
Yngvil Åsheim, BW Maritime, Singapore/Oslo
Callum Sinclair, Berge Bulk, Singapore

Remuneration Committee

Trond Eilertsen, *Chairman*, Oslo
Craig Jasienski, Wallenius Wilhelmsen ASA, Oslo
Costas Gerapetritis, Navios Shipmanagement Inc., Piraeus

