



Interim results

2022

For the six months to  
20 August 2022



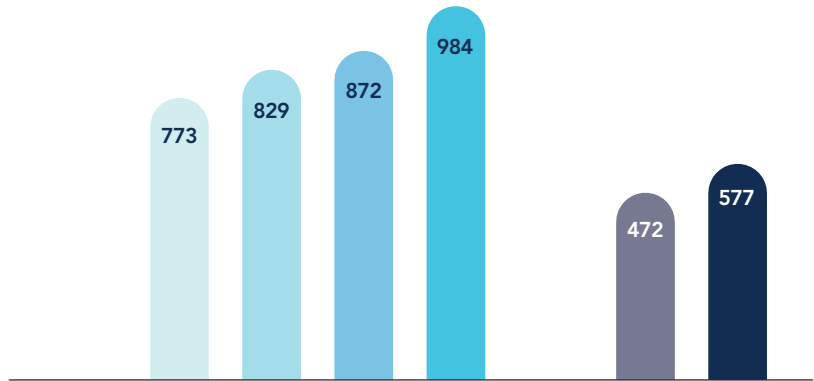
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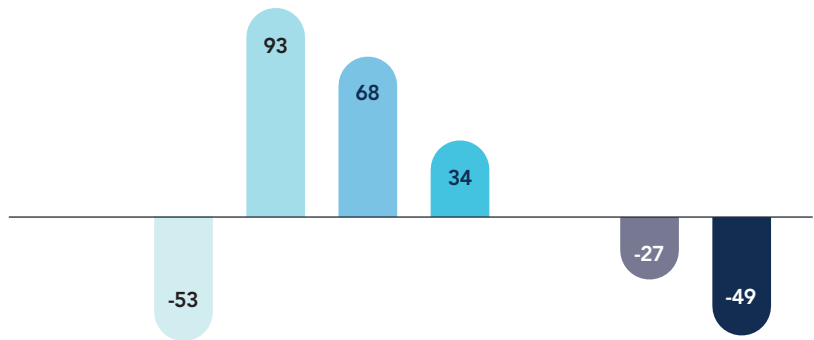


# Highlights

**Gross earned premium**  
Amounts in USD millions, ETC basis



**Result**  
Amounts in USD millions, ETC basis



**Legend**

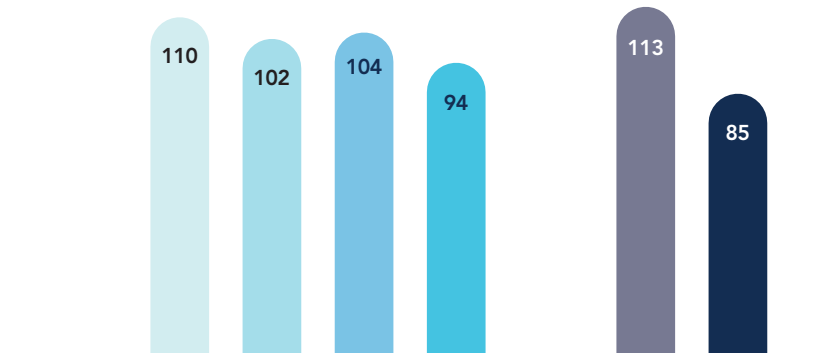
6 months to 20 August

- 2022
- 2021

**Combined ratio**  
Per cent, ETC basis

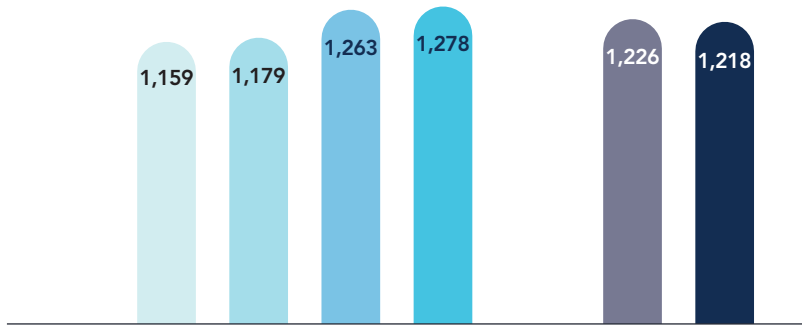
12 months to 20 February

- 2022
- 2021
- 2020
- 2019



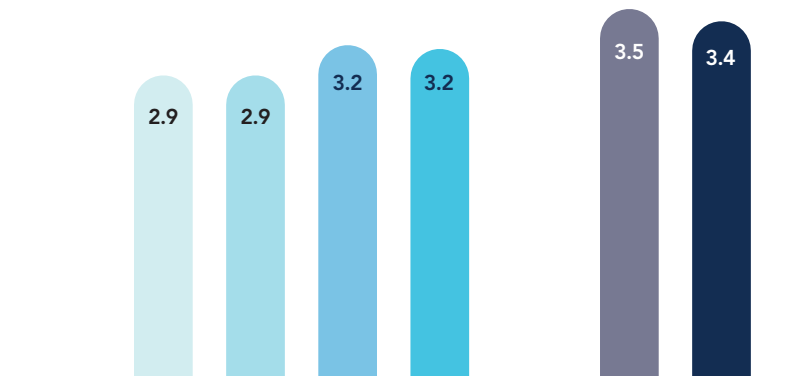
## Equity

Amounts in USD millions



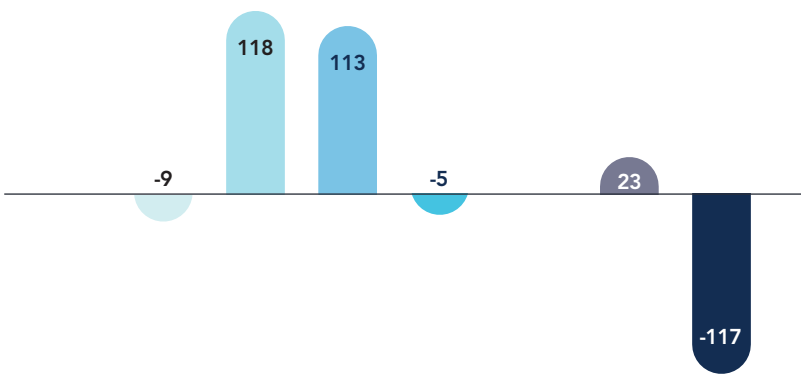
## Assets

Amounts in USD billions



## Non-technical

Amounts in USD millions

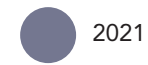


### Legend

6 months to 20 August



2022



2021

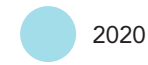
12 months to 20 February



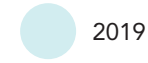
2022



2021



2020



2019





# CEO operational review



Although the 2022 financial year started with positive signs of a global society opening up and recovering from the COVID-19 pandemic, it soon became clear that new challenges were on the horizon. 24 February war broke out in Ukraine, and since then, the global outlook has not improved: geopolitical tensions are rising, the energy crisis is worsening, and across the world, inflation is soaring.

In many ways, it seems we find ourselves in a perfect storm of uncertainty. That is why I am proud to announce that Gard remains strong and stable, even in turbulent times. We are well positioned and well capitalised to withstand the challenges ahead, and our main focus remains, as always, on helping and supporting our Members and clients in these difficult times.

### **Interim results**

Despite the challenging times, Gard has delivered a strong, positive technical result in the first half of the financial year 2022. The combined ratio net of 85 per cent is very satisfactory, reflecting a combination of a strong premium growth and reduced claims costs, with fewer large claims both in Gard's portfolio and in the IG Pool. Gard's investment portfolio fell by approximately 9 per cent during the period, which is equivalent to a non-technical loss of USD 117 million. Although the non-technical result is negative, contributing to a loss after tax for the period, Gard remains financially stable and well capitalised to tackle the challenges ahead.

The results for the Gard group as at 20 August 2022 on an Estimated Total Call (ETC) basis are:

- A loss after tax of USD 49 million
- A technical profit of USD 68 million
- Combined ratio net (CRN) of 85 per cent
- The non-technical result is a loss of USD 117 million, including taxation and other comprehensive loss
- Equity of USD 1,218 million on an actual call basis

### **Capital position**

Gard remains well capitalised with equity being well within the target range approved by the Board. We will continue to balance our ability to deliver comparatively low long-term insurance costs while at the same time supporting our Members and clients with the products and services they need in a changing environment. Our main focus, as always, is to manage risks and to ensure the long-term financial health of the group.

In November 2021 the Board decided to support our Members' cash flows by giving a 5 per cent Owners' General Discount to Members renewing with Gard for the 2022 policy year. This amounted to USD 11 million on an accrued basis for the first half year of 2022.

For the 2023 policy year, the Board of Directors has agreed a 5 per cent Owners' General Discount for the membership at renewal.

### **Looking forward**

With increasing geopolitical tension and protectionist measures on the rise, the world economy could risk becoming more fragmented and more regionalised. For shipping and marine insurance, both global industries by nature, this is a challenge we need to address. The marine insurance industry is built upon the premise of a level playing field, where we follow the same rules and compete on the same terms as our peers. With increasingly deviating regulations and disharmonised sanctions, there is a risk that the playing field is shifting. This is challenging the very foundation on which we operate. Going forward, Gard will continue to work on behalf of its Members and clients, and together with the International Group of P&I Clubs (IG), to promote fairness, consistency and regulatory alignment across different jurisdictions. This is in the best interest of all of us.

***We find ourselves in a perfect storm of uncertainty but Gard is well positioned and well capitalised to withstand the challenges ahead, and our main focus remains to help and support our Members and clients.***

## **Business review**

### **Gard group result**

The first six months of the 2022 financial year led to a total comprehensive loss for the group on an Estimated Total Call (ETC) basis of USD 49 million. The 5 per cent Owners' General Discount agreed for the year amounted to USD 11 million for the first half year, increasing the total comprehensive loss to USD 61 million.

The consolidated equity, which provides security and stability for the membership, was USD 1,218 million at the half year compared to USD 1,278 million at the end of the previous financial year.

Gross earned premium on ETC basis was USD 577 million, a strong increase of USD 104 million from the comparable period last year. The premium growth is driven by hardening rates across all lines of business (apart from energy) and business volume growth for both P&I and M&E.

Claims incurred for own account totalled USD 319 million, a decrease of USD 55 million from the comparable period last year. The claims development has been better than expected for all lines of business, including Pool claims from other International Group Clubs where there have been no new claims so far this policy year.

The technical result as at 20 August 2022, on ETC basis, was a profit of USD 68 million and a CRN of 85 per cent.

The non-technical result was a loss of USD 117 million. The Gard group's investment portfolio returned a loss of USD 109 million or -4.9 per cent for the half year to 20 August 2022, against a positive return on USD 30 million or 1.4 per cent for the same period last year.

### **Protection & Indemnity on ETC basis**

For P&I, gross earned premium was USD 306 million, a strong increase of USD 46 million from the comparable period last year. Claims incurred totalled USD 214 million, a decrease of USD 21 million compared to last year. Own claims below the pool level were in line with expectations. There were no pool claims reported by any International Group Club in the period for the current policy year. Looking at the underlying profitability, however, we still see a need for further rate increases.

The technical result as at 20 August 2022, on ETC basis, was a profit of USD 5 million and a CRN of 98 per cent.

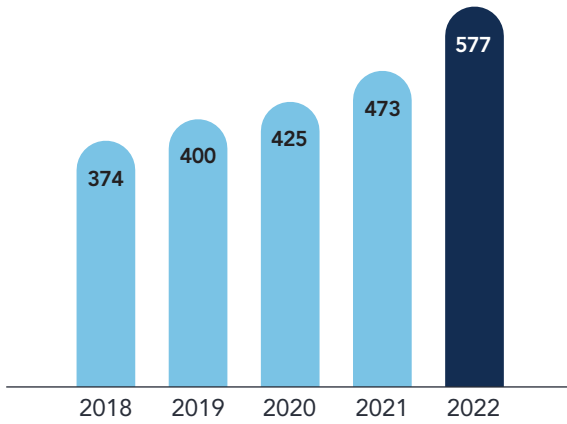
### **Marine & Energy**

For Marine & Energy, gross earned premium was USD 271 million, a strong increase of USD 57 million from the comparable period last year. The increase is due to growth in volume from new and existing clients and hardening rates for Marine. Energy is slightly down from last year.

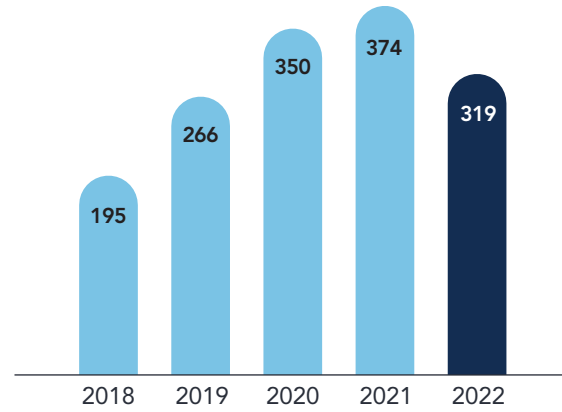
Claims incurred for own account totalled USD 104 million, a decrease of USD 35 million from the same time last year. The claims development both for Marine and Energy has been better than expected with no large claims in the period.

The technical result for Marine & Energy was a profit of USD 35 million. The combined ratio net was a strong 68 per cent.

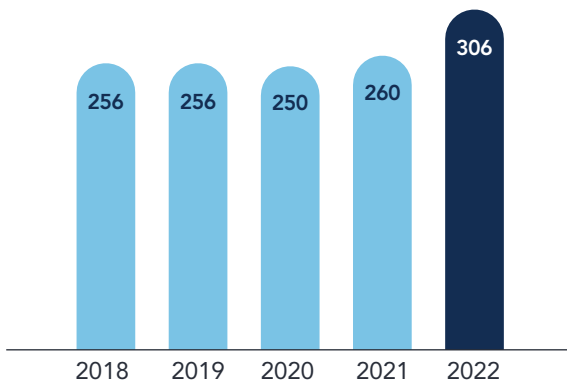
Development of group gross earned premium in the last five years, as at 20 August (USD million)



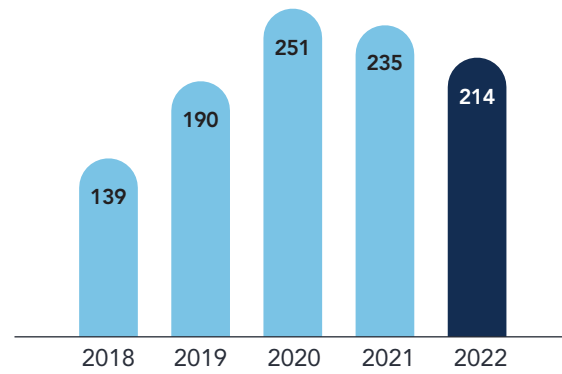
Development of group claims incurred for own account in the last five years, as at 20 August (USD million)



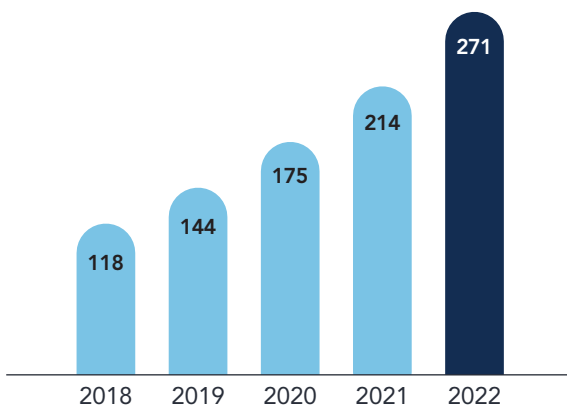
Development of gross earned P&I premium, on ETC basis, in the last five years, as at 20 August (USD million)



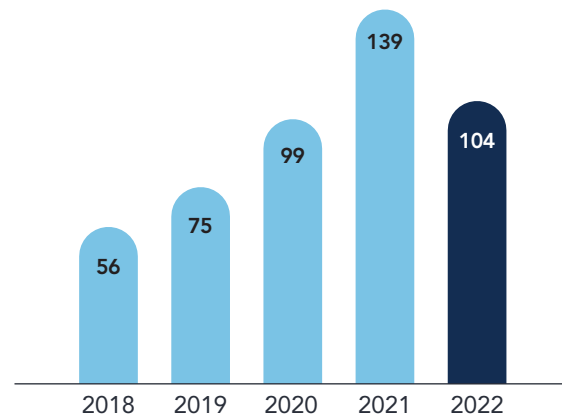
Development of P&I claims incurred for own account in the last five years, as at 20 August (USD million)



Development of gross earned M&E premium in the last five years, as at 20 August (USD million)



Development of M&E claims incurred for own account in the last five years, as at 20 August (USD million)



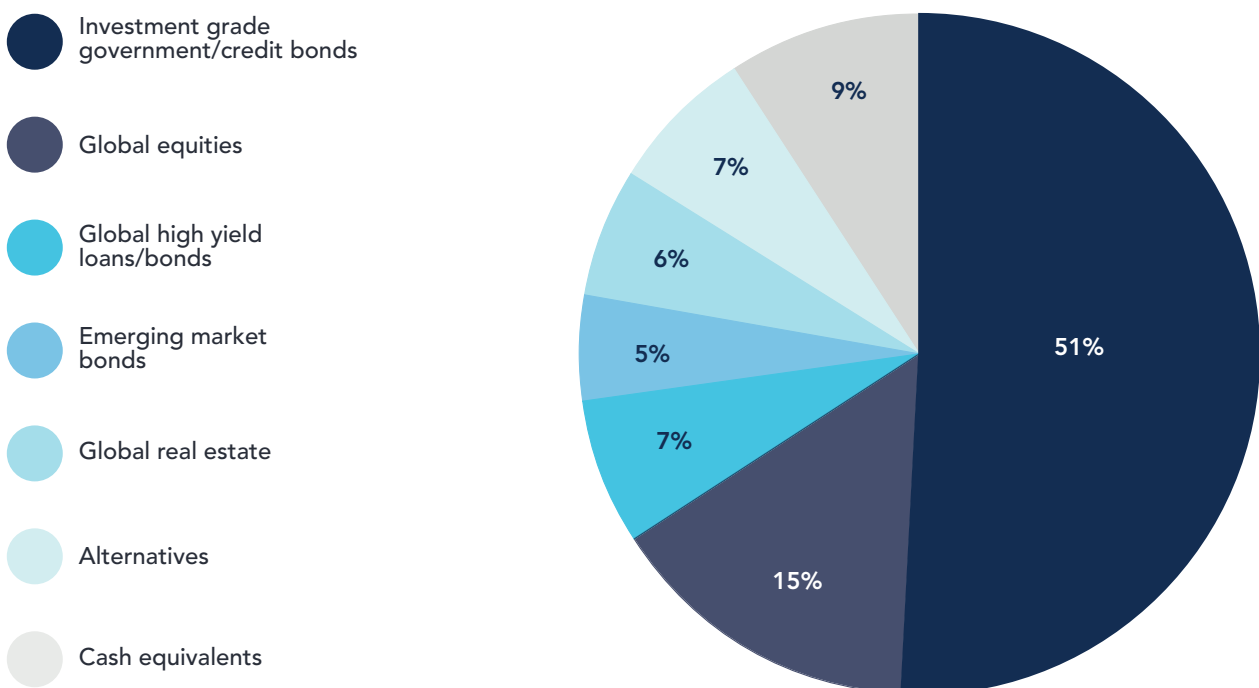
## Investments

The return on Gard's investment portfolio for the half year to 20 August 2022 was a negative USD 109 million, or a return of -4.8 per cent in USD terms. Gard matches currency risk across the balance sheet and hence 20 per cent of the currency exposure comes from currencies other than the USD.

However, as the USD strengthened significantly versus euro and pound sterling, this adverse effect can be more clearly observed on the asset side of the balance sheet when measured in USD. The majority of the investment losses have come from the fixed income portfolio which has struggled due to increasing US interest rates and inflationary pressure. To illustrate just how much interest rates have increased, the yield of a US 2-year government bond increased from 1.47 per cent as at 20 February 2022 to 3.27 per cent as at 20 August 2022, the fastest increase of US interest rates in history. Given the magnitude of the increase and our portfolio's sensitivity to interest rate changes, the result from the fixed income portfolio was better than expected. This was due to investments in inflation-linked US government bonds. The increase in interest rates and rising concerns for a potential recession also caused losses in the corporate credit and equity portfolios over the period, whilst a continued increase in the USD and high energy prices caused continued difficulties for emerging markets, which led to further losses in our emerging market debt portfolio.

On the positive side, the portfolio saw strong gains in its alternative portfolio, which returned 8.1 per cent for the period, whilst the real estate portfolio also delivered a positive return for the period.

### Investment allocation as at 20 August 2022



## Capital and risk management

The Gard group continues to be very well capitalised, despite falling investment markets over the first half year to 20 August 2022. The probability that Gard would have to raise additional capital from its mutual Membership by way of unbudgeted supplementary calls is low.

### Eligible own funds

	20 August 2022	20 February 2022
Tier 1 Basic own funds	1,133	1,145
Tier 2 Ancillary own funds	243	245
Tier 3 Other own funds	0	0
Eligible own funds	1,376	1,390

Gard has a simple capital structure consisting of Tier 1 capital through equity, which is earned and available, and high-quality Tier 2 capital, in the form of unbudgeted supplementary calls. No tax assets are included as Tier 3 capital as the maximum of 50 per cent of the solvency capital requirements of Tier 2 and Tier 3 combined is covered by Tier 2 capital. The eligible own funds are calculated based on a partial internal model.

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

### S&P rating

In March 2022 Standard & Poor's affirmed the A+ financial strength rating of the Gard group and its direct writing subsidiaries Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard - gjensidig -, Gard Marine & Energy Limited and Gard Marine & Energy Insurance (Europe) AS, and revised the outlook from negative to stable. The rating reflects Gard's strong capital adequacy and its profile as a market-leading insurer.





# Financial statements

## GARD P. & I. (BERMUDA) LTD.

### Summary income statement

Amounts in USD 000s	Consolidated accounts	
	21.02.22 to 20.08.22	21.02.21 to 20.08.21
Gross earned premium*	565,135	463,907
Earned premium for own account	430,958	364,707
Other insurance related income	532	374
Claims incurred for own account**	318,813	374,038
Operating expenses	56,270	50,743
<b>Technical result</b>	<b>56,407</b>	<b>-59,700</b>
<b>Non-technical result***</b>	<b>-117,113</b>	<b>22,963</b>
<b>Result</b>	<b>-60,706</b>	<b>-36,738</b>
<b>Combined Ratio Net (CRN), ETC basis</b>	<b>85%</b>	<b>113%</b>

\* Gross earned premium include a 5 per cent Owners General Discount for the P&I business for the half year to 20.08.21 and for the half year to 20.08.22

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

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

### Summary balance sheet

Amounts in USD 000s	Consolidated accounts	
	As at 20.08.22	As at to 20.02.22
Investments at fair value	2,293,187	2,283,235
Reinsurers' share of technical provisions	263,061	230,106
Cash and equivalents	181,422	301,643
Other assets	698,301	407,503
<b>Total assets</b>	<b>3,435,971</b>	<b>3,222,487</b>
Equity	1,217,521	1,278,281
Gross premium reserve	549,893	287,800
Gross claims reserve	1,468,614	1,403,790
Other liabilities	199,943	252,617
<b>Total equity and liabilities</b>	<b>3,435,971</b>	<b>3,222,487</b>

The Interim Report as at 20 August 2022 was approved by the Board of Directors of Gard P. & I. (Bermuda) Ltd. at its meeting on 3 November 2022.

## GARD P. & I. (BERMUDA) LTD.

### Income statement on lines of business

21.02.22 to 20.08.22

Amounts in USD 000s	P&I	M&E	Consolidated
Gross earned premium on ETC basis	305,911	270,638	576,548
Earned premium for own account on ETC basis	245,988	196,383	442,372
Other insurance related income	528	4	532
Claims incurred for own account*	214,393	104,420	318,813
Operating expenses	26,680	29,591	56,270
<b>Technical result on ETC basis</b>	<b>5,444</b>	<b>62,376</b>	<b>67,820</b>
<b>Non-technical result**</b>	<b>-89,285</b>	<b>-27,828</b>	<b>-117,113</b>
<b>Result on ETC basis</b>	<b>-83,841</b>	<b>34,548</b>	<b>-49,293</b>
Owners' General Discount	-11,414	0	-11,414
<b>Total comprehensive income/(loss)</b>	<b>-95,254</b>	<b>34,548</b>	<b>-60,706</b>
<b>Combined ratio net at ETC basis</b>	<b>98%</b>	<b>68%</b>	<b>85%</b>

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

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

