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# FINANCIAL STATEMENTS 2017

## Assuranceforeningen Gard - gjensidig-

*for the 3rd Quarter to 20 November 2017*



# Assuranceforeningen Gard - gjensidig -

## Statement of comprehensive income

Amounts in USD 000's	Q3		YTD 20.11	
	Current year 21.08 - 20.11.17	Previous year 21.08 - 20.11.16	Current year 21.02 - 20.11.17	Previous year 21.02 - 20.11.16
<b>Technical account</b>				
Gross earned premium	45,458	50,469	134,849	146,948
Ceded reinsurance	(20,652)	(21,881)	(61,349)	(65,828)
<b>Earned premium for own account</b>	<b>24,806</b>	<b>28,589</b>	<b>73,500</b>	<b>81,120</b>
<b>Other insurance related income</b>	<b>71</b>	<b>48</b>	<b>170</b>	<b>86</b>
Gross incurred claims	22,635	(41,039)	65,831	28,850
Reinsurers' share of gross incurred claims	(5,267)	51,724	(5,581)	25,456
<b>Claims incurred for own account</b>	<b>17,368</b>	<b>10,685</b>	<b>60,250</b>	<b>54,306</b>
Acquisition costs	1,858	2,275	5,081	5,305
Agents' commission	2,164	2,632	5,503	7,333
Commission received	(2,260)	(2,623)	(6,513)	(7,464)
<b>Insurance related expenses for own account</b>	<b>1,762</b>	<b>2,284</b>	<b>4,070</b>	<b>5,174</b>
<b>Other insurance related expenses</b>	<b>375</b>	<b>480</b>	<b>1,024</b>	<b>884</b>
<b>Technical result</b>	<b>5,372</b>	<b>15,188</b>	<b>8,325</b>	<b>20,842</b>
<b>Non-technical account</b>				
Interest and similar income (cost)	(1,965)	384	163	2,757
Change in unrealised gain on investments	5,969	(3,669)	9,567	4,893
Gain/(loss) on realisation of investments	(1,362)	(582)	368	(1,604)
Other investment expenses	300	(171)	(36)	(426)
<b>Non-technical result</b>	<b>2,942</b>	<b>(4,039)</b>	<b>10,062</b>	<b>5,620</b>
<b>Profit before tax</b>	<b>8,314</b>	<b>11,150</b>	<b>18,387</b>	<b>26,462</b>
Taxation	2,200	2	7,467	(311)
<b>Net result</b>	<b>6,114</b>	<b>11,148</b>	<b>10,920</b>	<b>26,773</b>
<b>Other comprehensive income/(loss)</b>				
Remeasurement due to change in pension assumptions	-	-	0	0
<b>Total comprehensive income/(loss)</b>	<b>6,114</b>	<b>11,148</b>	<b>10,920</b>	<b>26,773</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.11.2017	As at 20.02.17
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	37,258	39,531
Bonds	175,598	174,286
Financial derivative assets	171	953
Other financial investments	7,932	24,910
<b>Total investments</b>	<b>220,958</b>	<b>239,680</b>
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<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	20,130	43
Reinsurers' share of gross claims reserve	235,257	279,217
<b>Total reinsurers' share of technical provisions</b>	<b>255,387</b>	<b>279,260</b>
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<b>Receivables</b>		
Policyholders	39,812	12,665
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations - group companies	12,557	3,088
<i>Other receivables</i>		
Other receivables	12	9
Other receivables - group companies	194	184
<b>Total receivables</b>	<b>52,574</b>	<b>15,946</b>
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<b>Other assets</b>		
Equipment	2,201	2,201
Cash and cash equivalents	55,366	48,295
Other financial assets	1,856	1,838
<b>Total other assets</b>	<b>59,423</b>	<b>52,334</b>
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<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	4,681	1,308
<b>Total prepayments and accrued income</b>	<b>4,681</b>	<b>1,308</b>
<b>Total assets</b>	<b>593,023</b>	<b>588,528</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.11.2017	As at 20.02.17
<b>Equity and liabilities</b>		
<b>Equity</b>		
Other equity	120,233	109,313
<b>Total equity</b>	<b>120,233</b>	<b>109,313</b>
<b>Technical provisions</b>		
Gross premium reserve	43,071	128
Gross claims reserve	390,744	431,259
<b>Total technical provisions</b>	<b>433,814</b>	<b>431,387</b>
<b>Provision for other liabilities</b>		
Pension obligations	1,822	1,842
Deferred tax	15,309	10,553
<b>Total provisions for other liabilities</b>	<b>17,131</b>	<b>12,395</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	7,665	6,570
Payables arising out of reinsurance operations	10,575	0
Payables arising out of reinsurance operations - group companies	364	1,000
Financial derivative liabilities	659	512
Other payables	318	26,694
<b>Total payables</b>	<b>19,580</b>	<b>34,776</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	2,264	657
<b>Total accruals and deferred income</b>	<b>2,264</b>	<b>657</b>
<b>Total liabilities</b>	<b>472,790</b>	<b>479,215</b>
<b>Total equity and liabilities</b>	<b>593,023</b>	<b>588,528</b>

# Assuranceforeningen Gard - gjensidig - Statement of changes in equity

Amounts in USD 000's	Other equity	Total
<b>Equity as at 21.02.2016</b>	<b>93,510</b>	<b>93,510</b>
Net result	15,897	15,897
Remeasurement due to change in pension assumptions	(94)	(94)
<b>Equity as at 20.02.2017</b>	<b>109,313</b>	<b>109,313</b>
<b>Equity as at 21.02.2017</b>	<b>109,313</b>	<b>109,313</b>
Net result	10,920	10,920
Remeasurement due to change in pension assumptions	0	0
<b>Equity as at 20.11.2017</b>	<b>120,233</b>	<b>120,233</b>

# Assuranceforeningen Gard - gjensidig -

## Cash flow analysis

Amounts in USD 000's	21.02.17 to 20.11.17	21.02.16 to 20.11.16
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	18,387	26,462
Tax paid	(7,467)	311
Change in unrealised gain/(loss) on investments	163	2,757
Change in pension obligation	4,736	183
Change in receivables and payables	(51,824)	(7,877)
Change in technical provisions and other accruals	24,516	30,451
Purchase/sale of other investments	18,558	(29,007)
<b>Net cash flow from operating activities</b>	<b>7,070</b>	<b>23,279</b>
<b>Cash flow from investment activities</b>		
Disposal of equipment	0	0
Investment in equipment	0	0
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
Net change in cash and cash equivalents	7,070	23,280
Cash and cash equivalents at beginning of period	48,295	30,908
<b>Cash and cash equivalents at end of period</b>	<b>55,365</b>	<b>54,188</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 1. Accounting Policies

#### Corporate information

Assuranceforeningen Gard - gjensidig - is a mutual insurance association registered with the Norwegian Companies Register (organisation number 939 717 609). The registered office of the Association is Kittelsbuktveien 31, 4836 Arendal. The Association is licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. As a mutual insurance association costs insurances. As a mutual insurance association the Association is owned by its Members being the owners and charterers of the ships from time to time insured by the Association for Protection and indemnity (P&I) risks. There are no external capital owners.

The principal activities of the Association are; the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance behalf of its Members, including the reinsurance of a proportion of the Protection and Indemnity risk underwritten by Gard P. & I. (Bermuda) Ltd. as direct insurer, and management of assets covering the technical provisions.

The Members of the Association are also Members of Gard P. & I. (Bermuda) Ltd. and vice versa.

The Association has established a branch in UK as from 21.02.2017 in addition to the other branches in Hong Kong and Japan.

Assuranceforeningen Gard - gjensidig- is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Ltd in Bermuda.

#### Basis of preparation of the Accounts

The quarterly accounts include the activity from 21 February 2017 to 20 November 2017.

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance.

The quarterly Accounts have been prepared in accordance with Regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

As a result of change in Norwegian accounting regulations for insurance companies, the Association applied the following changes to accounting principles in 2016:

*Contingency reserve was reclassified to other equity. Related deferred tax liability was recognized as applicable depending on tax jurisdiction.* As a result, the Statement of comprehensive income no longer includes the line item "change in contingency reserve".

Gross written premium and changes in gross premium reserve are presented net as Gross earned premium, while Gross settled claims and Change in gross claims reserve are presented net as Gross incurred claims.

Comparative information has been restated accordingly.

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway (FSA) the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.11.2017 have not been audited.

#### Use of accounting estimates when preparing the accounts

The preparation of the accounts requires management to make estimates and assumptions that affect assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates can change. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly.

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

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 2. Related party transactions

#### Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 per cent of Gard P. & I. (Bermuda Ltd.) risks that are not reinsured elsewhere (15 per cent for policy years up to and including 2009).

The Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere (85 per cent for policy years up to and including 2009).

The Association has entered into a stop loss reinsurance agreement protecting the former against and adverse claims development with Gard Reinsurance Co Ltd (a company owned by Gard P.& I. (Bermuda) Ltd).

The Association has entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The Association's segregated account (cell) in Hydra is covering the former comny's liability to a layer of the International Group (IG) Pool and retention in the first market excess layer.

#### Insurance agency agreements

The Association has entered into an insurance agency agreements with Gard AS, a company owned by Gard P. & I. (Bermuda) Ltd. being the general agent, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association. The Association has entered into agreements with the subsidiaries of Gard AS for services rendered to the Association.

### Note 3. Capital requirements

Amounts in USD 000's	As at <b>20.11.17</b>	As at <b>20.02.17</b>
<b>Own funds</b>		
Share premium account	120,233	0
Reconciliation reserve	(1,363)	105,148
<b>Excess of assets over liabilities</b>	<b>118,870</b>	<b>105,148</b>
Tier 1 - Unrestricted	118,870	105,148
<b>Total basic own funds / (equal to Excess of assets over liabilities)</b>	<b>118,870</b>	<b>105,148</b>
Tier 2 - Supplementary calls	211,083	205,509
<b>Total ancillary own funds</b>	<b>211,083</b>	<b>205,509</b>



# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 3. Capital requirements continues

Amounts in USD 000's	As at 20.11.17	As at 20.02.17
Total available own funds to meet the SCR	329,953	310,657
Total available own funds to meet the MCR	118,870	105,148
Total eligible own funds to meet the SCR	164,968	154,239
Total eligible own funds to meet the MCR	118,870	105,148
SCR	92,196	98,181
MCR	28,432	27,329
<b>Ratio of eligible own funds to SCR</b>	<b>179 %</b>	<b>157 %</b>
<b>Ratio of eligible own funds to MCR</b>	<b>418 %</b>	<b>385 %</b>
<b>Minimum Capital Requirement (MCR)</b>		
Linear MCR	28,432	27,329
SCR	92,196	98,181
MCR cap (45% of SCR)	41,488	44,181
MCR floor (25% of SCR)	23,049	24,545
Combined MCR	28,432	27,329
Absolute floor of the MCR	4,050	4,050
<b>MCR</b>	<b>28,432</b>	<b>27,329</b>
<b>Solvency Capital Requirement (SCR)</b>		
Market risk	24,430	30,352
Counterparty default risk	16,505	17,286
Non-life underwriting risk	80,020	77,260
Diversification	(41,383)	(39,038)
<b>Basic SCR</b>	<b>79,573</b>	<b>85,860</b>
<b>Calculation of SCR</b>		
Operational risk	12,623	12,321
<b>SCR</b>	<b>92,196</b>	<b>98,181</b>

The Board of Directors  
**ASSURANCEFORENINGEN GARD -gjensidig-**

torsdag 25. januar 2018

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Trond Eilertsen  
 Chairman

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Jane Sy  
 Deputy-chairman

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Yngvil Eriksson Åsheim

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Nils Aden

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Ian Beveridge

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Rolf-Thore Roppestad  
 Managing Director