



## Company News

# CEO Update: Supporting the maritime industry for the next century

In 1907, Gard was founded to underwrite only the P&I risks of sailing ships – a single solution for one type of vessel. As the world and technology changed, so our remit widened and we began to accept steamships and tankers – and then expanded into the offshore energy and hull and machinery markets. Today our product range is the widest in the market and is still adapting to meet the needs of shipowners and our responsibilities to society.

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Our history is one of responding to change and our future will be the same.

## **Future gazing**

I believe that the future will see us more integrated into the entire maritime industry and society at large. Part of that process is about identifying and implementing new ideas – finding new ways to add value for our customers. As part of that process, Gard has seen three major developments in new product areas during the last six months:

- Writing the first offshore fish farm in the world for P&I and hull lead.
- Involvement in the development of autonomous shipping.
- Partnering with Statoil for their new developments in offshore wind.

Although all of these are starting in a limited way, they are a sign of things to come as our Members and clients develop into new business areas.

We are also embracing new ways of working. At the end of November, Gard began trading marine business on the London insurance market's electronic placing platform, PPL (Placing Platform Ltd). This enables brokers and underwriters to quote, negotiate, bind and endorse business digitally on a single market-wide system. By joining the platform we are taking a natural step in supporting our customers and brokers trading through London – as well as increasing the efficiency of our operations.

## **Delivering today**

There is no single silver bullet for continued success but many things we need to keep getting right. We must excel at the fundamentals – being the best in our market at assessing maritime risk and handling maritime claims. We must have strong analytical capabilities so we can take the right business decisions in the future, and remain financially strong in a challenging environment.

The first half of the 2017 financial year has seen strong performance across the group, with a result after tax of UD 150 million and a combined ratio net (CRN) of 77 per cent. This reflects a better than forecast insurance performance over the last three years due to a benign claims environment both in terms of frequency and severity. The other critical factor, however, has been the quality of our membership which delivers significantly lower claims costs than the market average. This allows us to lower premiums in identified areas.

Our goal as a mutual is to provide good security and service at a low cost. In looking at the premium policy for the next year, there will therefore be no general increase in the Advance Call for owners' mutual P&I or for mutual FD&D. To ensure fairness over time, individual performance, in combination with existing premium level, will determine the renewal result. The target of a small negative insurance result remains, with a forecasted combined ratio net of 102.5 per cent.

While our premium policy allows us to adjust pricing annually, our mechanism for capital management is designed to take a longer-term view. When we achieve the capital targets set by our shipowner Board, we return excess funds to our Members. We have done this consistently over the last decade and, in spring 2017, we reduced the premium for the 2016 policy year with USD 90 million. If the full year result at 20 February 2018 is in line with the half year result, a reduction in the deferred call can be expected for the 2017 policy year.

## **The next 100 years**

We want our business to keep delivering value for the next century – demonstrating sustainability and resilience, creating long term financial value and contributing to healthy ecosystems and strong communities. For example, our outreach programme to coastal authorities around the world is one initiative which creates value by reducing insurance costs for our Members and clients, as well as reducing the consequences of maritime activity on the environment and society at large.

We will keep the best of today while adopting and adapting to the new. Whether it is products, technology, skills or people, we look beyond the here and now and invest for the future. This is a strategy that has served our Members and clients well for over a century and we believe will continue to do so for the next 100 years.

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