

# Assuranceforeningen Gard - gjensidig -

## Statement of comprehensive income

Amounts in USD 000's	Q2		YTD 20.08	
	Current year 21.05 - 21.08.18	Previous year 21.05 - 21.08.17	Current year 21.02 - 20.08.18	Previous year 21.02 - 20.08.17
<b>Technical account</b>				
Gross earned premium	43,592	45,341	85,992	89,392
Ceded reinsurance	(19,728)	(20,721)	(39,229)	(40,697)
<b>Earned premium for own account</b>	<b>23,864</b>	<b>24,619</b>	<b>46,763</b>	<b>48,694</b>
<b>Other insurance related income</b>	<b>91</b>	<b>49</b>	<b>131</b>	<b>99</b>
Gross incurred claims	(7,962)	29,901	7,235	43,196
Reinsurers' share of gross incurred claims	25,609	(7,209)	23,228	(314)
<b>Claims incurred for own account</b>	<b>17,647</b>	<b>22,692</b>	<b>30,463</b>	<b>42,882</b>
Acquisition costs	1,851	1,480	3,873	3,222
Agents' commission	1,966	1,272	4,064	3,339
Commission received	(2,687)	(2,061)	(5,280)	(4,253)
<b>Insurance related expenses for own account</b>	<b>1,130</b>	<b>691</b>	<b>2,657</b>	<b>2,308</b>
<b>Other insurance related expenses</b>	<b>410</b>	<b>298</b>	<b>972</b>	<b>649</b>
<b>Technical result</b>	<b>4,768</b>	<b>987</b>	<b>12,802</b>	<b>2,953</b>
<b>Non-technical account</b>				
Interest and similar income	196	(541)	293	(233)
Change in unrealised gain/(loss) on investments	(1,295)	3,283	(6,132)	7,383
Gain on realisation of investments	0	(0)	2,625	0
Other investment expenses	7	(5)	(17)	(31)
<b>Non-technical result</b>	<b>(1,092)</b>	<b>2,737</b>	<b>(3,231)</b>	<b>7,119</b>
<b>Profit before tax</b>	<b>3,676</b>	<b>3,725</b>	<b>9,570</b>	<b>10,073</b>
Taxation	868	1,040	2,904	5,267
<b>Net result</b>	<b>2,808</b>	<b>2,684</b>	<b>6,667</b>	<b>4,806</b>
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>2,808</b>	<b>2,684</b>	<b>6,667</b>	<b>4,806</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.18	As at 20.02.18
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	27,871	24,474
Bonds and bond funds	213,049	177,518
Other financial investments	200	7,456
<b>Total investments</b>	<b>241,119</b>	<b>209,448</b>
<hr/>		
<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	38,499	32
Reinsurers' share of gross claims reserve	182,513	219,360
<b>Total reinsurers' share of technical provisions</b>	<b>221,013</b>	<b>219,391</b>
<hr/>		
<b>Receivables</b>		
Policyholders	71,543	5,582
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations - group companies	1,824	16,441
<i>Other receivables</i>		
Other receivables	13	11
Other receivables - group companies	43	133
<b>Total receivables</b>	<b>73,423</b>	<b>22,168</b>
<hr/>		
<b>Other assets</b>		
Equipment	2,201	2,201
Cash and cash equivalents	54,554	49,271
Prepaid tax	0	748
Other financial assets	1,812	1,869
<b>Total other assets</b>	<b>58,566</b>	<b>54,088</b>
<hr/>		
<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	5,436	3,860
<b>Total prepayments and accrued income</b>	<b>5,436</b>	<b>3,860</b>
<b>Total assets</b>	<b>599,557</b>	<b>508,954</b>

# Assuranceforeningen Gard - gjensidig -

## Balance sheet

Amounts in USD 000's	As at 20.08.18	As at 20.02.18
<b>Equity and liabilities</b>		
<b>Equity</b>		
Other equity	118,852	112,186
<b>Total equity</b>	<b>118,852</b>	<b>112,186</b>
<b>Technical provisions</b>		
Gross premium reserve	82,427	126
Gross claims reserve	335,238	370,920
<b>Total technical provisions</b>	<b>417,665</b>	<b>371,046</b>
<b>Provision for other liabilities</b>		
Pension obligations	1,772	2,018
Income tax payable	2,084	0
Deferred tax	8,323	9,005
<b>Total provisions for other liabilities</b>	<b>12,178</b>	<b>11,023</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	8,641	4,922
Payables arising out of reinsurance operations	15,616	3,352
Payables arising out of reinsurance operations - group companies	20,933	1,047
Payables group companies	167	279
Financial derivative liabilities	0	652
Other payables	257	208
<b>Total payables</b>	<b>45,613</b>	<b>10,459</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	5,248	4,241
<b>Total accruals and deferred income</b>	<b>5,248</b>	<b>4,241</b>
<b>Total liabilities</b>	<b>480,704</b>	<b>396,769</b>
<b>Total equity and liabilities</b>	<b>599,557</b>	<b>508,954</b>

# Assuranceforeningen Gard - gjensidig - Statement of changes in equity

Amounts in USD 000's	Other equity	Total
<b>Equity as at 21.02.2017</b>	<b>109,313</b>	<b>109,313</b>
Net result	3,025	3,025
Remeasurement due to change in pension assumptions	(153)	(153)
<b>Equity as at 20.02.2018</b>	<b>112,186</b>	<b>112,186</b>
<b>Equity as at 21.02.2018</b>	<b>112,186</b>	<b>112,186</b>
Net result	6,667	6,667
<b>Equity as at 20.08.2018</b>	<b>118,852</b>	<b>118,852</b>

# Assuranceforeningen Gard - gjensidig -

## Cash flow analysis

Amounts in USD 000's	21.02.18 to 20.08.18	21.02.17 to 20.08.17
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	9,570	10,072
Tax paid	(2,156)	(5,267)
Change in unrealised gain/(loss) on investments	(6,132)	2,129
Change in pension obligation	1,156	3,908
Change in receivables and payables	(16,101)	(24,635)
Change in technical provisions and other accruals	44,485	51,842
Purchase/sale of other investments	(25,539)	(34,428)
<b>Net cash flow from operating activities</b>	<b>5,283</b>	<b>3,621</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	5,283	3,621
Cash and cash equivalents at beginning of period	49,271	48,295
<b>Cash and cash equivalents at end of period</b>	<b>54,554</b>	<b>51,916</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 established a branch in UK as from 21 February 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 2018 to 20 August 2018.

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.

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 August 2018 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>20.08.18</b>	As at <b>20.02.18</b>
<b>Own funds</b>		
Share premium account	118,852	112,186
Reconciliation reserve	77	(2,431)
<b>Excess of assets over liabilities</b>	<b>118,930</b>	<b>109,754</b>
Tier 1 - Unrestricted	118,930	109,754
<b>Total basic own funds / (equal to Excess of assets over liabilities)</b>	<b>118,930</b>	<b>109,754</b>
Tier 2 - Supplementary calls	198,213	217,000
<b>Total ancillary own funds</b>	<b>198,213</b>	<b>217,000</b>

# Assuranceforeningen Gard - gjensidig -

## Notes to the accounts

### Note 3. Capital requirements continues

Amounts in USD 000's	As at <b>20.08.18</b>	As at <b>20.02.18</b>
Total available own funds to meet the SCR	317,143	326,755
Total available own funds to meet the MCR	118,930	109,754
Total eligible own funds to meet the SCR	164,610	157,380
Total eligible own funds to meet the MCR	118,930	109,754
SCR	91,361	95,251
MCR	30,089	25,974
<b>Ratio of eligible own funds to SCR</b>	<b>180 %</b>	<b>165 %</b>
<b>Ratio of eligible own funds to MCR</b>	<b>395 %</b>	<b>423 %</b>
<b>Minimum Capital Requirement (MCR)</b>		
Linear MCR	30,089	25,974
SCR	91,361	95,251
MCR cap (45% of SCR)	41,113	42,863
MCR floor (25% of SCR)	22,840	23,813
Combined MCR	30,089	25,974
Absolute floor of the MCR	4,306	4,306
<b>MCR</b>	<b>30,089</b>	<b>25,974</b>
<b>Solvency Capital Requirement (SCR)</b>		
Market risk	21,141	19,149
Counterparty default risk	14,950	17,279
Non-life underwriting risk	71,448	77,073
Diversification	(28,051)	(28,742)
<b>Basic SCR</b>	<b>79,488</b>	<b>84,759</b>
<b>Calculation of SCR</b>		
Operational risk	11,873	10,492
<b>SCR</b>	<b>91,361</b>	<b>95,251</b>

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

28 September 2018

---

Trond Eilertsen  
Chairman

---

Jane Sy  
Deputy-chairman

---

Yngvil Eriksson Åsheim

---

Nils Aden

---

Ian Beveridge

---

Rolf-Thore Roppestad  
Managing Director