
DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2014

for the half year to 20 August 2014

HIGHLIGHTS

As at 20 August 2014

GROSS WRITTEN PREMIUM USD MILLIONS, ETC BASIS	829
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COMBINED RATIO PER CENT, ETC BASIS	78
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RESULT AFTER TAX USD MILLIONS	129
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CONTINGENCY RESERVE USD MILLIONS	1,047
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ASSETS USD BILLIONS	3.2
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FIVE YEAR COMPARISON

As at 20 February

	2010	2011	2012	2013	2014
Gross written premium USD millions, ETC basis	812	792	855	884	959
Result after tax USD millions	240	175	51	99	89
Combined ratio Per cent, ETC basis	92	94	98	101	97
Contingency reserve USD millions	638	790	826	895	944
Assets USD billions	1.9	2.4	2.5	2.6	2.7

CEO'S OPERATIONAL REVIEW



Rolf Thore Roppestad,
Chief Executive Officer

I am pleased to report that, for the first six months of the 2014 financial year ending 20 August, Gard reported strong results at a group level. Our combined ratio net was 78 per cent, and the group recorded a result after tax of USD 129 million. Our contingency reserve now stands at USD 1,047 million. We have had two good quarters on both the underwriting and investment sides of the business.

This is a result of an unrelenting focus on improving our core operations and delivering a consistent, well-understood business model. Our dedication to service and competence, helping the maritime industries to manage risk and its consequences, is valued by our Members and clients who continue to help us grow both our premium and market share.

Our insurance performance demonstrates that offering properly priced products is vital, as well as highlighting the positive impact that an absence of large claims has on any particular period. While the last six months have seen the frequency of claims as expected, the number of large claims is very low. This is the primary reason for the strong technical result. Gross written premium increased by five per cent despite

softening pricing conditions across the market and, while our investment result reflects the ongoing low interest rate environment and economic uncertainty, we did see a performance with a return of just over two per cent. The accounting principle used for pensions has been changed from NRS6 to IAS19, resulting in a reduction in the contingency reserve of USD 25 million.

However, these are only the half year results and we are about to enter the winter months in the northern hemisphere – historically a time for casualties to occur. So, our job will be to plot the steadiest course as we move forward.

Investing in talent

One of our three pillars of excellence focuses on knowledge and expertise – both within our own organisation and across the industries with whom we work. Over the last year, I am pleased to report that there have been a number of positive developments in this area. We were pleased therefore to receive a strong external endorsement of our efforts from YoungShip International when we won their 2014 Young Corporation Award. The award recognised a wide range of initiatives in which Gard promotes and supports young people both in our own organisation and across the maritime industries as a whole. It was especially pleasing that Gard was nominated by young professionals within the group.

Winning this award is a great honour, and was only possible because of a long standing commitment across the leadership and management of the group to the ongoing development of talent within our business. We are very clear that our future is dependent on our ability to retain and recruit talented people – we need to attract them to the maritime industries, then nurture and support their career development.

Another part of this is the Claes Isacson Scholarship for maritime education, which we established in 2013, to help young people finance a university-level education, with a view to finding work within the shipping and marine insurance sectors. In June 2014, we were pleased to announce that the inaugural recipients of this scholarship; Wang Wenhao

from Singapore and Daniela Gladun from Sweden. The Scholarship Committee received 54 applications from 13 countries, with each applicant required to present a plan for the completion of their studies and how they would make use of the scholarship.

Organisational developments

Following a meeting of the Board of Directors on 25 September 2014, a decision was made to close our office in Gothenburg. The development of an adaptable and responsive global organisation is an important strategic focus for Gard – especially given the changing nature of the maritime industries we serve. Over the last year we have reviewed the office network to look at how functions and activities are distributed to ensure that we are delivering the best service possible.

Since the Gothenburg office was established nearly 20 years ago, the size of the Swedish marine market has changed considerably. These changes need to be reflected in our structure which is why we have decided to relocate staff and activities from Sweden to Norway by the summer of 2015.

Looking forward

There will always be peaks and troughs in our business but so far 2014 has delivered a really good performance. Overall, we are well-positioned to meet future challenges: we have a strong competitive position relative to our peers; a sound insurance portfolio; and we are well-capitalised to help our Members and clients manage their risks. We have an active programme of external events planned for the coming months, and we look forward to seeing many of you at our Gard evenings around the world.

Rolf Thore Roppestad
CEO

GARD P. & I. (BERMUDA) LTD.

Summary consolidated income and expenditure accounts

Amounts in USD 000's	21.02.14 to 20.08.14	21.02.13 to 20.08.13
Premium earned gross*	488,381	461,656
Earned premium for own account	409,069	371,836
Other insurance related income	357	1,906
Claims incurred for own account	268,251	302,517
Operating expenses	51,257	49,829
Technical result before change in contingency reserve	89,918	21,396
Change in the contingency reserve	(128,706)	(18,058)
Technical result	(38,787)	3,338
Result on non-technical account	38,787	(3,338)
Net result	0	0
Combined Ratio Net (CRN)	78%	94%

* Premium earned gross include one half of estimated total calls for the P&I business and gross earned premium for the marine and energy business

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

Summary consolidated balance sheet

Amounts in USD 000's	As at 20 August 2014	As at 20 February 2014
Investments at market value	2,195,316	2,066,309
Reinsurers' share of technical provisions	234,420	166,259
Cash and equivalents	188,698	163,027
Other assets	597,584	326,706
Total assets	3,216,018	2,722,301
Gross unearned premium reserve	511,580	171,131
Gross provision for outstanding and unreported claims	1,389,546	1,375,264
Contingency reserve	1,046,575	944,123
Other liabilities	268,317	231,783
Total equity and liabilities	3,216,018	2,722,301

GARD P. & I. (BERMUDA) LTD.

Income and expenditure accounts on lines of business

Amounts in USD 000's	21.02.14 to 20.08.14 P&I	21.02.14 to 20.08.14 M&E	21.02.14 to 20.08.14 Consolidated accounts
Premiums earned gross	321,048	167,333	488,381
Premiums earned net	255,668	153,401	409,069
Claims incurred for own account*	203,881	64,369	268,251
Operating expenses	26,067	24,833	50,900
Result on technical account	25,720	64,199	89,918
Result on non-technical account	26,158	12,629	38,787
Result ordinary operations	51,878	76,827	128,705
Combined ratio net	90%	58%	78%

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

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