



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR TO 20 FEBRUARY 2020



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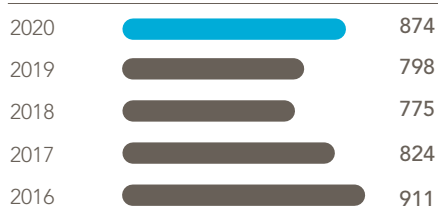


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FIVE YEAR COMPARISON

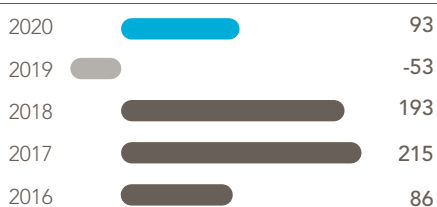
GROSS WRITTEN PREMIUM

USD millions, ETC basis



RESULT

USD millions, ETC basis



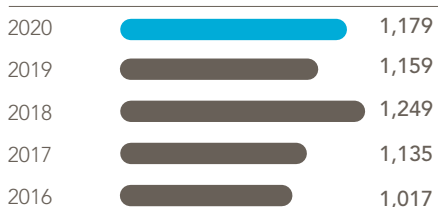
COMBINED RATIO

Per cent, ETC basis



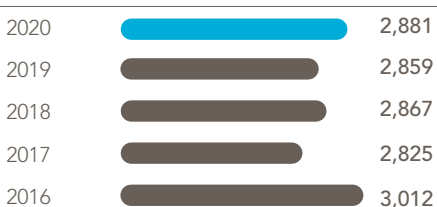
EQUITY

USD millions



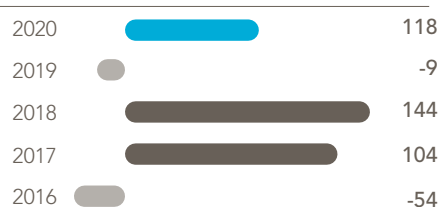
ASSETS

USD millions



NON-TECHNICAL RESULT

USD millions



CHAIRMAN'S STATEMENT

WE FIND OURSELVES IN AN UNPRECEDENTED GLOBAL ENVIRONMENT



Although this Directors' Report covers Gard's performance in the year to February 2020, it is incumbent upon us to reflect on the unprecedented global environment in which we find ourselves today, a mere three months later.

The coronavirus outbreak is taking a toll in human life across the globe and it will cause the biggest economic shock since the Great Depression of the 1930s. Its scale means the ramifications on people's lives and on the global economy will be profound and long lasting. For everyone, everywhere, 'normal' will be very different for a long time to come.

Specifically, for the industry we serve, it has brought parts of the world's shipping industry to the brink of paralysis, with disruption that began in China now extending to shipping lanes everywhere. And this is following a year of sluggish global growth, growing business and political disillusion with globalisation and rising East-West trade tensions.

FOR EVERYONE, EVERYWHERE, 'NORMAL' WILL BE VERY DIFFERENT FOR A LONG TIME TO COME

The commercial effects of the pandemic will be different depending on the segment: containers or cruise lines, tankers or bulk carriers. But there are shared concerns for all as ships encounter difficulties in loading, unloading and performing repairs and maintenance. The international travel bans cause particular problems for crew rotations, with a detrimental impact on the well-being, both mental and physical, of seafarers. The blockages to the global logistics supply chain from these restrictions on shipping pose further danger to the world economy.

There can be little doubt that 2020 will be a challenging year for the shipping industry and its insurers, whatever the impact of global economic stimulus measures. It is a measure of the times that pre-existing geo-political risks, such as the upcoming US election and Brexit, seem but a side show in the new world order that now dominates our outlook.

WE ARE PREPARED FOR UNCERTAINTY

In times of turmoil, robust foundations are a comfort, and Gard's capital strength and high-quality membership give us the confidence that we have the right fundamentals to resist shocks over time. Critical to this resilience is our focus on scale and strength – both operationally and financially. Our global reach, financial resources and access to capital mean we can continue to invest, protect and deliver value to our Members.

This year, Gard returned to profit and, as of 20 February 2020, the consolidated equity which provides security and stability for the membership stood at USD 1,179 million, compared to USD 1,159 million 12 months prior. Due to the high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic, the Board has decided to defer a decision on whether to call or waive in part or fully the last instalment of the annual premium.

For over a decade claims trends declined, with accident frequency and claims costs falling and, as result, the cost of insurance also dropped for shipowners – a definite benefit in times of economic difficulties. 2019 saw pricing reach a tipping point, and marine insurers started to look for opportunities to increase rates. It is probably too early to predict where pricing will go from here, as different segments of the market might suffer differently in terms of direct and indirect effects of the pandemic.

Gard's diversification strategy enables us to balance a small loss on our mutual business with a profit from our for-profit insurance businesses. We can be grateful that our unique diversification strategy gives us predictability and flexibility.

WE ARE PREPARING FOR THE FUTURE

One of Gard's great strengths is the close alignment between Members and management in driving a strategic agenda to build a business that can adapt to whatever comes next. The voice of Members and clients is always heard and incorporated, and this is reflected in our agreement around the mission for the group – 'Together, we enable sustainable maritime development' – as well as our goals for 2025, which focus on financial strength, an agile and competent global organisation and sustainable growth.

THIS YEAR, GARD RETURNED TO PROFIT AND, AS OF 20 FEBRUARY 2020, THE CONSOLIDATED EQUITY WHICH PROVIDES SECURITY AND STABILITY FOR THE MEMBERSHIP STOOD AT USD 1,179 MILLION

The effects of climate change are being felt across the world, and there is near universal consensus around the need for the decarbonisation of the global economy through energy transition to cleaner fuels. Shipping is a significant contributor to global CO2 emissions. Although there is an expectation of significant reductions by 2030, with even more ambitious goals by 2025, new propulsion systems are not yet available and new fuels only

CHAIRMAN'S STATEMENT

CONTINUED

being explored and developed. While there may be carbon-neutral solutions that theoretically could be available to shipping, they have not reached the point of being commercially viable. However, that does not mean there are not actions we can all take now to improve our environmental footprint and contribute to a more sustainable maritime world. Gard is actively participating in and promoting sustainability initiatives both within the marine insurance industry and through cross-industry collaboration.

ONE KEY FOCUS FOR THE BOARD OF DIRECTORS LAST YEAR WAS HELPING THE GROUP TO ESTABLISH A COMMON APPROACH TO SUSTAINABLE SHIP RECYCLING

One key focus for the Board of Directors last year was helping the group to establish a common approach to sustainable ship recycling. This is an important topic in the industry, as shipbreaking can come with a high human cost – as well as significant reputational damage. Green ship recycling is both necessary and desirable and is considered the most sustainable way to end a ship's life. There are, however, many considerations to be made to ensure that the dismantling of a ship does not endanger either people or the environment. Our policy clearly outlines how we believe businesses should be handling this important issue, and is aligned with our policy on sustainable business, our code of ethics and business conduct.

WE ARE READY TO FACE NEW THREATS AND OPPORTUNITIES

Cyber threats remain high on the list of everyone's potential concerns, with vessels increasingly adopting Internet of Things (IOT) technologies. Events are already demonstrating how operational technology is at risk of being exploited, with cyber criminals exploiting malware, ransomware and GPS spoofing to attack industrial control systems. While the IMO has given shipowners and operators until January 2021 to incorporate cyber risk mitigation into ships' safety management systems, cyber criminals are taking advantage of the COVID-19 pandemic and the associated sharp increase in remote working to launch more attacks. Gard's Loss Prevention activities have focused often and in detail on this topic to help Members and clients to mitigate and manage these new risks.

The IOT, and the wealth of data it generates, offers opportunities as well as threats. Gathering and learning from data is of growing importance and, as we accumulate a wealth of real time and historic data across the group, we can analyse it more effectively to gain knowledge and insight. This will help Gard to help its Members and clients by understanding risk profiles, building tools to prevent casualties and developing new risk transfer tools.

Co-operation with the International Group (IG) to share data and intelligence adds a further dimension – especially on large claims that are pooled. By looking at a wider data set from all claims across the industry, everyone can learn from past experiences to prevent future casualties and reduce the cost to shipping and society at large.

Last year, the IG appointed Nick Shaw as its CEO, and Gard welcomes the work that he and his team are doing to modernise the Group. However, our shipowners, whose needs all P&I clubs serve, require and expect greater support and faster change in how their insurers deliver risk transfer solutions. We would encourage more open direct industry dialogue between the IG and shipowners. As the leading IG club, we are here to support such efforts and to ensure that the mutual P&I system keeps evolving with the shipping industry and does not end up resting on its laurels.

BEING AGILE IN TIMES OF TROUBLE

At the end of our financial year in February, the world looked a very different place than it does now. While a pandemic was on the world's risk radar, the speed of its spread in a highly interconnected world and the draconian measures taken to contain it were unanticipated. The world will face the consequences of those decisions for years, if not decades, and we will all face considerable challenges in our personal and professional lives.

In 2020 we must be ready to step up again as the shipping and marine insurance industries are tested as never before. Gard has a long track record of trying to anticipate and respond to change – we led the way in tankers in the 1920s and in the offshore energy field in the 70s. I am confident that the quality of our membership and organisation, the breadth of our offering, continued focus on loss prevention and strong claims handling capabilities are key foundations for dealing with the challenges we will face in the future.

I would like to thank everyone who is serving on our Boards and Committees for their time and commitment, and for the energy and enthusiasm of everyone working at Gard who contributes to the group's strong performance every single day. We are in an age of real uncertainty but, with the right team and the right focus, together we can maintain and build on the promises we make every day to Members and clients.

Morten W. Høegh

CEO'S STRATEGIC OVERVIEW

THE WORLD HAS BEEN TURNED UPSIDE DOWN BY THE SPEED OF THE SPREAD OF COVID-19



These are, of course, the financial statements for the year ending 20 February 2020 – a date at which what became the global COVID-19 pandemic was still in its early stages. Since then the world has been turned upside down by the speed of its spread, the actions taken by governments around the world to reduce the impact and the consequences these have had on people, societies and economies everywhere. And that picture is still developing as we write this at the end of April.

MANAGING RISKS

In a world of such unprecedented uncertainty, our role – to work every day to manage the risks to our Members and clients' people and property, as well as those posed to the environment by the consequences of any casualties, becomes more essential than ever. And our financial strength is the bedrock on which this is built.

I am pleased to announce that the 2019 financial year saw a strong performance across the group:

- Result after tax of USD 93 million on an Estimated Total Call (ETC) basis
- Combined ratio net (CRN) of 102 per cent
- Non-technical result of USD 118 million
- Equity of USD 1,179 million

Overall gross premium written has increased, primarily driven by hardening rates in the marine market and a growth in new business volume. While P&I tonnage increased by over 15 million gross tonnes in the twelve months to 20 February 2020, pricing remained very competitive. As a mutual association, we aim for a combined ratio slightly above 100 per cent for mutual P&I, while making an underwriting profit in our marine and energy business.

LAST YEAR SAW A STRONG INVESTMENT RETURN FOR THE GROUP

Last year saw a strong investment return for the group. We entered into the current period of uncertainty with a strong capital base, and it remains robust despite the turmoil in the global financial markets. Most global equity indexes have fallen steeply but Gard has a moderate exposure to equities. We invest more in treasuries and other less risky assets. Consequently, the value of the group's investment portfolio has fallen much less than global equities and our capital adequacy remains strong.

We know that the next 12 months will be exceptionally challenging for the entire maritime industry. Gard will continue to balance its ability to help individual Members and clients with the maintenance of the long-term financial health of the group. We have been in

regular contact with our Members and clients, discussing their specific needs in these extraordinary times and we will continue this dialogue.

No last instalment of the premium for the 2019 policy year has been recognised in these accounts. Due to the uncertainty brought about by the pandemic, the decision concerning the level of the last instalment has been postponed till later in the year, and after the approval of these financial statements. We hope this postponement will offer some limited cashflow help to some Members.

DEEP MARITIME EXPERTISE

It is a fundamental part of our philosophy that prevention is better than cure, especially when the environmental impact of maritime casualties can be catastrophic. So, we work to prevent accidents from happening across all aspects of maritime operations, while standing ready to respond swiftly and effectively to mitigate the damage should they occur.

WE KNOW THAT THE NEXT 12 MONTHS WILL BE EXCEPTIONALLY CHALLENGING FOR THE ENTIRE MARITIME INDUSTRY

The global pandemic will undoubtedly give rise to further issues as we work to mitigate the consequences of maritime casualties. Responding effectively to a casualty requires an efficient and effective global network of salvors and local correspondents, as well as maritime, legal and environmental skills. There is now a risk that the strong global value chain that has been built to handle accidents at sea develops inefficiencies as a result of the effects of COVID-19 in different countries around the world.

One of the main objectives of loss prevention in Gard is to turn a painful loss experienced by the few into lessons learned for the many. We do this by:

- producing Gard updates – topics covered this year included environmental issues, maritime security and human health.
- conducting client training – for example contingency response training for incidents, cyber awareness and the dangers of enclosed spaces.
- conducting condition and entry surveys of vessels covered by Gard.

We work hard to ensure that we respond fast in changing circumstances so in March of this year we were writing updates on the implications of the virus on ships and crew, lay-ups and even working from home.

CEO'S STRATEGIC OVERVIEW

CONTINUED

Over the last two years we have seen the sanctions landscape change significantly. The US has been very active both by way of passing new sanctions and enforcing existing sanctions regimes. At the same time we see that both US and UK authorities, as well as the UN, have communicated that they have high expectations that the marine insurance industry will closely monitor the activities of its Members and clients to avoid being facilitators of activity which is deemed a breach of international sanctions. This now requires us to undertake in-depth behavioral analysis of fleets, in addition to standard sanctions screening.

THE GLOBAL PANDEMIC WILL UNDOUBTEDLY GIVE RISE TO FURTHER ISSUES AS WE WORK TO MITIGATE THE CONSEQUENCES OF MARITIME CASUALTIES.

As a result, all International Group (IG) Clubs have agreed to a set of Minimum Tracking Criteria for the monitoring of entered vessels via AIS. As a result, Gard has signed a contract with Windward extending our already well established collaboration to use their combination of big data, AI and maritime expertise to enable us to streamline our sanctions compliance process, as well as fulfil requirements for AIS monitoring as agreed between the IG Clubs.

POSITIVE INDUSTRY INFLUENCE

We have always worked from a solid base of expertise across underwriting, claims and finance – skills that have built relationships of trust across the maritime industry. Yet we are also adding new areas of expertise to deal with the changes that we all face – issues such as sustainability, more advanced risk management, regulatory shifts and technology. This means we have more skills in different areas, adding depth and breadth to our portfolio of knowledge.

We fully intend to be as market-leading in these areas as we are in our traditional competencies. For example, we are leading the way with CEFOR and the International Group through the contribution our employees are making in these trade bodies on sustainability, and in the wider world through our engagement with the UN Global Compact's Platform for Sustainable Ocean Business.

For the first time this year, we have published internally our agenda for a sustainable business. In June, we will report externally on what we have achieved against the goals of the UN Global Compact. Both documents highlight very clearly that sustainability is closely woven through all our activities, both internally within Gard and through our external activities. Every time we pay a valid people claim swiftly, we support a world in which everyone has access to decent work and economic growth. When we remove a wreck, we help conserve the oceans and sustain life under water. When an owner with a good claims record gets premium reductions, we reward the behavior of someone who has succeeded in their efforts to avoid or reduce damages to society. In fact, if you look at the P&I Rules, almost every one of them touches one or more of the UN's Sustainable Development Goals.

And it is not just about what we do today, but what we can all do to be better prepared for the future; meeting our Members' emerging needs and their expectations of us their business partner. There will be opportunities and challenges: risk transfer for new maritime risks but also helping businesses with regulatory change such as the 50 per cent reduction in shipping emission by 2050.

IN JUNE, WE WILL REPORT EXTERNALLY ON WHAT WE HAVE ACHIEVED AGAINST THE GOALS OF THE UN GLOBAL COMPACT

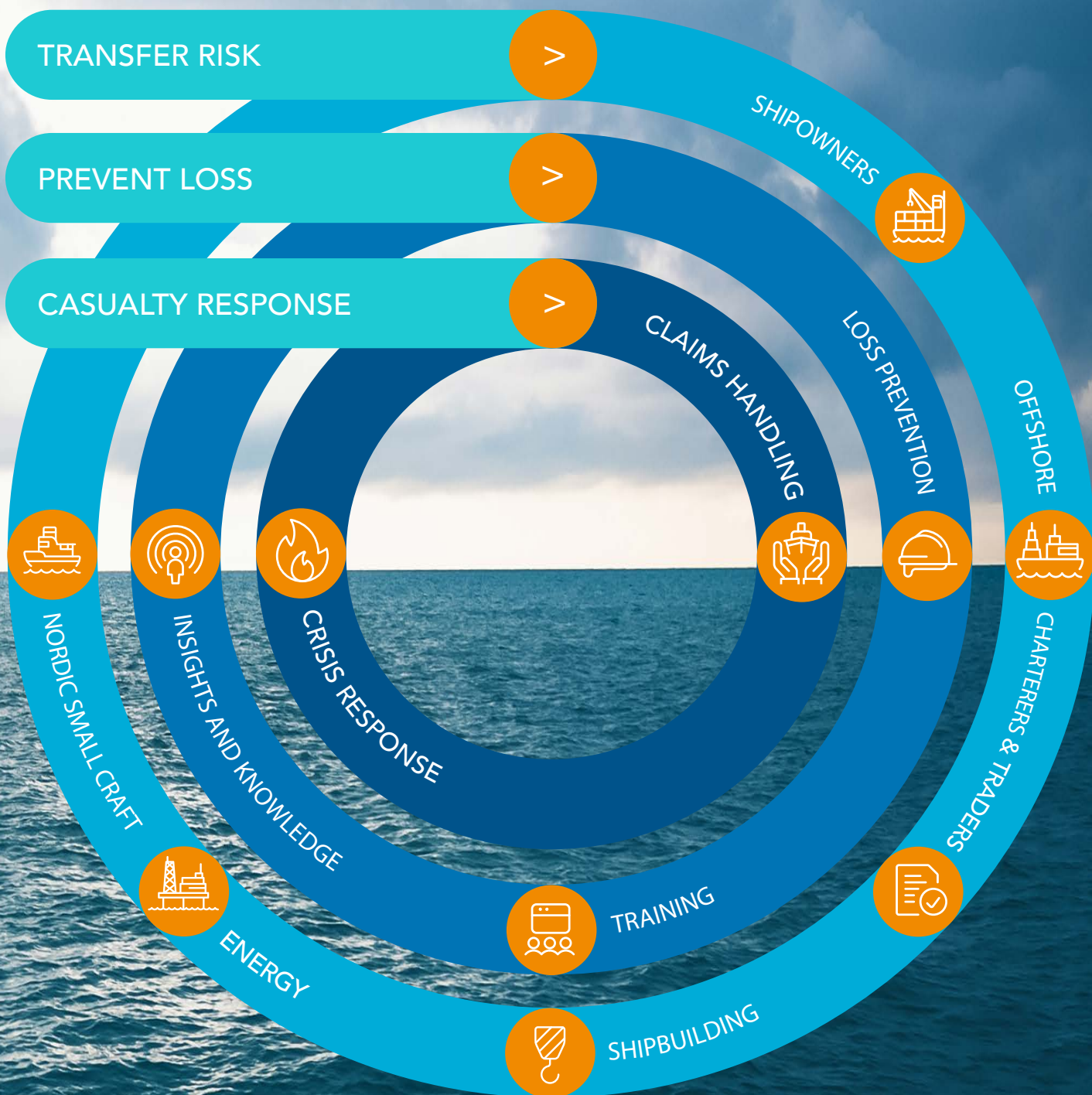
Earlier this year, we announced both the publication of our statement on sustainable ship recycling and that we had signed up for the Ship Recycling Transparency Initiative (SRTI), a cross-sectoral coalition calling for increased transparency around ship recycling practices.

LOOKING INTO THE UNKNOWN

Our role is to help keep global trade afloat and there is no doubt that the pandemic has been a brutal reminder that national measures to protect the health of different countries can create havoc with the international supply chain. At any given time, over 50,000 ships with 1.2 million seafarers are on the move, with around 200,000 sailors in transit for crew changes around the world. With closed borders, quarantine regulations and airlines grounded, moving personnel is very difficult. There is an urgent need to quickly find practical solutions and agreements to establish safe trade ports on every continent, where seafarers can fly in and out, and establish procedures for health checks and safe lodging.

This is but one example of the challenges the maritime industry is going to be facing. Planning for the future is always an exercise in making the best possible assumptions and using past experience to build a way forward. I am sure that I am not the only voice you will hear saying that today's business and economic environment make this more demanding than ever before. 2019 has given us a strong base to face the uncertainty that will undoubtedly be part of our future, and our culture and operations are built for the long-term. Our commitment to you is that we will continue to be long-term and resilient partners, helping you to mitigate and manage risk as we face future challenges together.

Rolf Thore Roppestad



WE HELP OUR MEMBERS AND CLIENTS MANAGE THE TOTALITY OF THEIR EXPOSURES – BOTH TO EXISTING AND DEVELOPING RISKS.

OPERATIONAL REVIEW

BUSINESS REVIEW

Gard group result and reduction in last instalment

The financial year ending 20 February 2020 produced a total comprehensive profit on an Estimated Total Call (ETC) basis of USD 93 million.

Due to the high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic, the Board of Directors resolved in their meeting in May 2020 to defer the decision regarding the last premium instalment for the 2019 policy year until the autumn 2020. Hence no last premium instalment is included in the financial statements.

The forecast last instalment for the 2019 policy year was 20 per cent of ETC, or USD 72 million. The total comprehensive profit excluding the last instalment was consequently USD 20 million.

The consolidated equity, which provides security and stability for the membership, was USD 1,179 million as at 20 February 2020 compared to USD 1,159 million the previous year. In spite of Covid-19, the financial position of the group at the time of reporting remains strong, with a low probability of levying any unbudgeted supplementary call.

Last instalment

Policy year	Estimated	Actual	Reduction	
			Per cent	USD million
2010	20%	12%	8%	28
2011	20%	16%	4%	15
2012	20%	12%	8%	31
2013	20%	12%	8%	35
2014	20%	12%	8%	37
2015	20%	12%	8%	37
2016	20%	0%	20%	90
2017	20%	0%	20%	79
2018	20%	10%	10%	37
2019*	20%	0%*	20%	72
Total 10 years				461
Total 5 years				315

* no decision made at the time the financial statements were prepared

Gard group on Estimated Total Call basis (ETC basis)

The financial year ending 20 February 2020 produced a total comprehensive profit, on an ETC basis, of USD 93 million. The non-technical result was a profit of USD 118 million.

Gross written premium on ETC basis was USD 874 million, an increase of USD 76 million or 9.5 per cent from last year and above the financial plan. This is a strong result in a soft P&I insurance market, helped by contributions from hardening hull markets and a growth in new business volume.

As a result of the 10 per cent increase in volumes achieved during the year, the Gard group has increased its overall market share.

The panel of reinsurers on the Gard group reinsurance programmes remain stable. There is an upward market pressure on the cost of reinsurance, however the impact to Gard has been modest as a result of strong, long-term relationships with reinsurers, an improved claims records and continuing changes to our risk profile.

Development of gross written premium, group in the last five years, as at 20 February

USD millions



Development of claims incurred for own account, group in the last five years, as at 20 February

USD millions



OPERATIONAL REVIEW

CONTINUED

The year demonstrated an acceptable technical performance, even after a claims intensive second half of the financial year. The combined ratio net on ETC basis was 102 cent and on plan.

Claims incurred for own account totalled USD 586 million, an increase of USD 49 million from last year. Last year was low due to the positive impact from an energy claim that developed favourably. There has been a higher level of Pool claims from the International Group clubs, which continued the trend from the financial year 2019. P&I mutual performed below expectation.

The technical result was a negative USD 10 million.

The non-technical result was a strong USD 118 million with gains across all major asset classes. Markets were not affected by the escalating Covid-19 crisis until after the end of the financial year.

With investment results being volatile, balanced underwriting becomes increasingly important. Being excellent at the fundamentals, properly assessing, selecting and pricing quality maritime risks, as well as providing strong claims and loss prevention services, are top priorities to deliver on our Members' and clients' needs. There is no doubt that the quality of our membership is a cornerstone for a sustainable future.

PROTECTION & INDEMNITY ON ETC BASIS

Gross written premium for P&I on ETC basis was USD 519 million, the same level as last year. The overall tonnage increase has been offset by a soft market and rate reductions. The rate reductions are driven by a benign claims development in previous years and a moderate growth in the world fleet. Both factors are intensifying competition, but we see the year as a turning point in this trend.

P&I claims incurred for own account totalled USD 405 million, an increase of USD 66 million from last year. The increase is due to

a higher level of Pool claims from the International Group clubs, which continued the trend from 2018. Gard's share of claims going into the pool in 2019 was less than our relative size. Our share in the pool will continue to be less than our relative size after the current year claims record.

The technical result for P&I was a loss of USD 27 million against a loss of USD 24 million last year. The combined ratio net for P&I was 106 per cent, the same as last year and close to plan.

The Covid-19 pandemic has caused disruption to the cruise trade and several outbreaks have significantly increased the severity of people claims in this segment after year end. For other types of ships, there have been an increase in crew and defense claims, but overall costs are expected to be countered by reduced claims frequency caused by general slowdown of shipping activity and increased number of laid-up ships.

MARINE & ENERGY

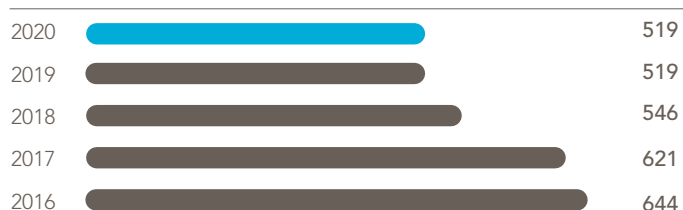
For Marine & Energy, gross written premium was USD 354 million, an increase of USD 76 million or 27 per cent from last year. Both marine (hull) and energy saw hardening of rates towards the end of 2019. This is expected to continue as the rate levels in general needs to improve further as the current pricing levels are vulnerable to volatility of claims or an unforeseen adverse change in frequency.

The technical result for Marine & Energy was a profit of USD 17 million against a loss of USD 37 million last year. The combined ratio improved to 93 per cent from 118 per cent last year.

Claims incurred for own account totalled USD 181 million, a decrease of USD 18 million from last year. This was mainly driven by a lower number of large marine claims.

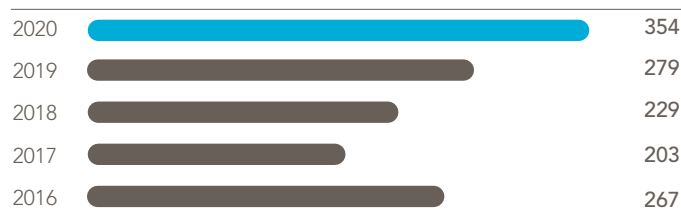
Development of gross written premium, P&I, in the last five years, as at 20 February

USD millions



Development of gross written premium, Marine & Energy, in the last five years, as at 20 February

USD millions



Development of claims incurred for own account, P&I, in the last five years, as at 20 February

USD millions



Development of claims incurred for own account, Marine & Energy, in the last five years, as at 20 February

USD millions



OPERATIONAL REVIEW

CONTINUED

Even though these business areas have seen hardening of rates towards the end of 2019, the general rate levels in marine continue to cause concern and attention. However, during 2019 we have increased our market share in a volatile market, with new and existing clients showing a significant commitment to Gard. Our ability to lead claims effectively, our widely recognised security, and ability to get business back on track without unnecessary delays, are seen as an attractive value proposition in the current market environment. Effective claims handling means finding solutions in collaboration with the clients and their brokers so that costs are reduced for the benefit of both parties, and adverse consequences of marine incidents are mitigated for society at large.

The energy market has seen a slight increase of rates, although premiums are still considered too low in a market segment prone to large claims. No large claims hit the energy business area and the area gave a good contribution to the overall result.

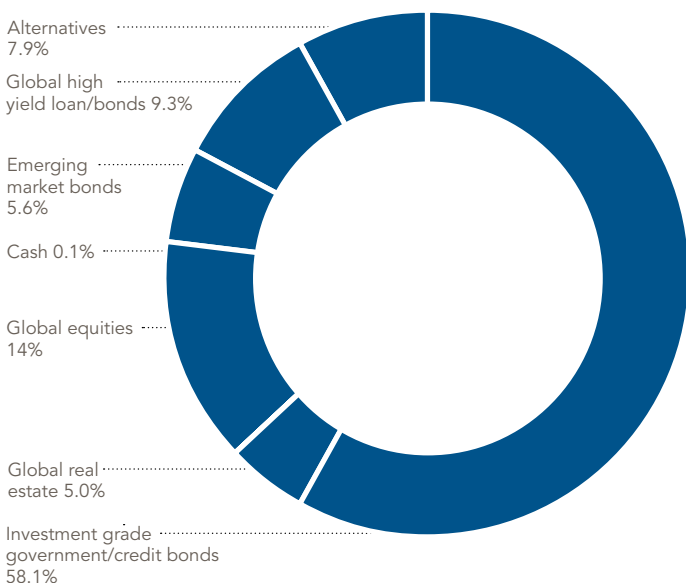
INVESTMENTS

Over the twelve months to 20 February 2020, the Gard group achieved an investment return of 5.8 per cent against a benchmark of 6.1 per cent. In the previous year, the investment return was 0.0 per cent. The group's investment portfolio increased from USD 2,103 million as at 20 February 2019 to USD 2,113 million as at 20 February 2020.

The year to 20 February 2020 was a remarkably strong year for financial assets and a welcome recovery from the negative investment result in the previous year. The adverse effects from the COVID-19 pandemic to the financial markets started after financial year-end.

Investment allocation, as at 20 February 2019

Per cent



For much of the year, the main focus for investors was the on-going trade dispute between China and the US, with markets reacting to every tweet from President Trump and the inevitable response from President Xie. The on-going uncertainty over global trade left its mark across the major exporters in the world, with both Germany and Japan teetering on the brink of recession and US manufacturing slowing markedly - the ISM Manufacturing PMI fell to its lowest level since 2009. Despite the tensions over trade, equity markets were strong for much of the year. Whilst continued tight US labour markets added momentum in equities, despite a drop in corporate profits, the main driver for risky assets was interest rates. Throughout the early part of the period, markets were anticipating easier monetary policies in response to the trade dispute, and the US Federal Reserve finally cut rates in July as a "mid-cycle adjustment". The US 10-year government bond yield fell throughout the period from 2.6 per cent to 1.5 per cent in February 2020. The general rally in fixed income assets also drove tighter credit spreads, with the spread on BBB corporate bonds over US 10-year treasuries falling from 1.65 per cent to 1.27 per cent, the lowest level since 2006.

Energy prices rallied over the year, with the WTI oil price increasing by 34 per cent, and through the latter half of the period, equity markets and risky assets continued their march upwards. Any negative economic news was reacted to with further anticipation of future monetary easing and more market strength.

On the currency side, the USD rose slightly over the year versus most other currencies. Sterling rallied sharply towards the end of the period as the UK elections gave Boris Johnson the majority he and the Tories needed to enact Brexit and start the process for the UK to finally leave the EU after the referendum in 2016.

Equity investments returned a positive 10.2 per cent, real estate investments a positive 6.2 per cent and fixed-income investments a positive 5.3 per cent over the period. All returns in USD terms.

Gard is and aims to remain a responsible investor. We fully support the UN Principles of Responsible Investment and encourage fund managers to sign up to them. These principles recognise that long-term sustainable returns are dependent on stable, well-functioning and well-governed social, environmental and economic systems.

CAPITAL AND RISK MANAGEMENT

Over the twelve months to 20 February 2020, the Gard group continued to be strongly capitalised.

Risk management

Gard has an effective system of risk governance, which provides sound and prudent risk management. Risk governance is based on the three lines of defence model, with clearly defined roles and responsibilities. Risk taking is carried out in the business functions (1st line), risk oversight is carried out by the Risk Management function, Compliance function and the Actuarial function (2nd line). Independent assurance is provided by Internal Audit (3rd line).

OPERATIONAL REVIEW

CONTINUED

Gard's Risk Management function is mandated to ensure that the group has the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it performs reporting activities. The independence of the Risk Management function is maintained by a direct reporting line from the Chief Risk Officer to the Chief Executive Officer, and regular reporting to the Risk Committee.

Gard's internal risk capital model provides a quantification of the risks to which Gard group and its legal entities are exposed and is an important tool for Gard. The model is used to determine the risk and capital requirements for internal purposes. The internal model and its parameters are reviewed regularly to reflect Gard's experiences, changes in the risk environment and best practice. The insurance risk and market risk modules from the internal risk capital model have been approved by the Norwegian FSA to be used for calculating Solvency II capital requirements for Gard group, Assuranceforeningen Gard – gjensidig - and Gard Marine & Energy Insurance (Europe) AS under Solvency II. The Standard Formula is used for counterparty risk and operational risk.

Risk appetite and strategy

Gard's risk appetite is to hold sufficient capital and liquidity as well as to constrain its risk taking to ensure that the group can continue to operate following an extreme loss event with the same risk tolerance for insurance risk. The risk-taking must be aligned to Gard's risk-carrying capacity.

Gard aims to fulfil the following key objectives:

- Have a high probability of meeting its insurance liabilities and providing its services;
- Preserve the continuity of its offering after an extreme loss event; and
- Have the flexibility and competence to help Members and clients manage new risks and pursue attractive business opportunities as and when they arise.

The probability that Gard would have to raise additional capital from its mutual Members by way of unbudgeted supplementary calls should be low.

Eligible own funds	20 February 2020	20 February 2019
Tier 1 Basic own funds	1,089	1,106
Tier 2 Ancillary own funds	255	245
Tier 3 Other own funds		
Eligible own funds	1,344	1,351

Capital management

Gard has a simple capital structure consisting of Tier 1 capital through equity, which is earned and available, high quality Tier 2 capital in the form of unbudgeted supplementary calls, and tax assets included as Tier 3 capital.

The Gard group aims to manage its capital such that all its regulated entities meet local regulatory capital requirements at all times.

Risk profile

In context of its business operations Gard enters into a broad variety of risks, where the main risks are insurance risk and market risk. Gard is also exposed to counterparty default risk, operational risk, liquidity risk, business risk, compliance risk and reputational risk.

Reinsurance

Gard has an extensive reinsurance program. The mutual business is pooled between International Group (IG) clubs. For the 2019 policy year the IG clubs pool claims above the club retention of USD 10 million and up to USD 100 million. Above USD 100 million, the group purchases a reinsurance program with USD 2 billion cover per vessel per event with an annual aggregate deductible of USD 100 million and an overspill protection cover of a further USD 1 billion. For P&I Fixed and the Marine and Energy businesses there are high capacity reinsurance programs in place. The structure of the reinsurance programs has been stable during the last years.

Liquidity

Liquidity risk is the risk that Gard group, a legal entity and/or branch either does not have available sufficient financial resources to meet its obligations as they fall due or can secure such resources only at an excessive cost. The sources of inflows are stable in Gard, where liquidity is generated primarily through premium income. Although payments are fairly stable over time, the nature of the insurance business means that Gard must be prepared to make sudden and large payments.

The amount of liquidity held is largely determined by internal liquidity stress tests. Based on these stress tests, we estimate short-term and long-term liquidity needs. To mitigate liquidity risk, Gard has established several mechanisms including cash pool arrangements within the group and holding highly liquid assets.

S&P rating

In December 2019 Standard & Poor's affirmed the A+ financial strength 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). The rating reflects Gard's strong capital adequacy, strong operating performance and business profile as a leading insurer. The outlook is stable.

FINANCIAL STATEMENTS

FOR THE YEAR TO 20 FEBRUARY 2020

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Technical account					
Gross written premium	4, 5, 6	331,281	353,356	799,831	759,835
Gross earned premium	4, 5, 6	328,595	353,358	755,283	734,916
Ceded reinsurance	6	(217,116)	(229,740)	(172,668)	(153,708)
Earned premium for own account	6	111,479	123,618	582,615	581,208
Other insurance related income		483	434	2,118	2,084
Gross incurred claims	6	326,314	351,460	621,650	591,362
Reinsurers' share of gross incurred claims	6	(167,208)	(196,795)	(35,883)	(54,269)
Claims incurred for own account	6	159,106	154,665	585,767	537,093
Acquisition costs	7	17,818	22,767	38,649	43,757
Agents' commission	7	20,362	22,986	51,474	48,281
Commission received	7	(42,762)	(43,463)	(17,479)	(10,820)
Insurance related expenses for own account	7	(4,582)	2,291	72,645	81,218
Other insurance related expenses	7	2,870	54,708	9,153	63,477
Technical result		(45,432)	(87,612)	(82,831)	(98,497)
Non-technical account					
Income from investments in group companies		27,110	60,583	0	0
Interest and similar income/(expenses)	8	(1,566)	(3,163)	3,755	(3,613)
Change in unrealised gain/(loss) on investments	14	18,860	(32,537)	90,472	(47,045)
Gain on realisation of investments		10,620	28,567	22,975	43,075
Other investment expenses		(347)	(557)	561	(1,607)
Non-technical result		54,676	52,892	117,763	(9,190)
Profit/(loss) before tax		9,244	(34,720)	34,931	(107,686)
Taxation	9	(5,912)	(14,593)	12,807	(18,659)
Net result		15,155	(20,127)	22,124	(89,028)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on subsidiaries		0	0	(1,119)	(827)
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement due to change in pension assumptions	16	(44)	(23)	(862)	(420)
Income tax related to change in pension assumptions	16	0	0	205	99
Other comprehensive income/(loss) for the period, net of tax		(44)	(23)	(1,777)	(1,148)
Total comprehensive income/(loss)		15,112	(20,150)	20,348	(90,176)

GARD P. & I. (BERMUDA) LTD.

BALANCE SHEET

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
ASSETS					
Intangible					
Developed software	10	0	0	3,374	1,279
Total intangible assets		0	0	3,374	1,279
Investments					
Property and plant used in operations	11	0	0	21,228	22,630
<i>Financial investments in subsidiaries</i>					
Investments in subsidiaries	13	593,363	595,294	0	0
Loan to subsidiaries	3, 15	19,989	26,292	0	0
<i>Financial investments at fair value through profit or loss</i>					
Equities and investment funds	14	171,906	226,027	572,504	605,036
Interest-bearing securities and funds	14, 15	434,316	395,654	1,529,422	1,479,793
Other financial investments	14, 15	12	3	35	119
Total investments		1,219,586	1,243,270	2,123,189	2,107,579
Reinsurers' share of technical provisions					
Reinsurers' share of gross premium reserve		1,395	41	38,244	15,065
Reinsurers' share of gross claims reserve	6, 15	507,370	492,279	227,240	257,535
Total reinsurers' share of technical provisions		508,766	492,320	265,484	272,600
Receivables					
<i>Receivables from direct insurance operations</i>					
Policyholders	5, 17	12,269	33,778	192,440	206,730
<i>Receivables from reinsurance operations</i>					
Receivables from reinsurance operations		4,717	4,173	8,152	8,421
Receivables from subsidiaries		51,235	24,900	0	0
<i>Other receivables</i>					
Other receivables	18	0	1	23,345	23,058
Other receivables from subsidiaries	18	1,848	0	0	0
Total receivables	15	70,069	62,851	223,937	238,210
Other assets					
Equipment	12	661	661	7,890	7,624
Cash and cash equivalents	15, 19	63,858	52,235	183,189	152,265
Deferred tax asset	9	19,387	14,589	23,751	25,255
Other financial assets	15	5,913	11,899	19,792	24,944
Total other assets		89,819	79,383	234,622	210,089
Prepayments and accrued income					
Accrued income and other prepayments		3,448	4,104	30,823	29,002
Total prepayments and accrued income		3,448	4,104	30,823	29,002
Total assets		1,891,687	1,881,928	2,881,429	2,858,758

GARD P. & I. (BERMUDA) LTD.

BALANCE SHEET

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
EQUITY AND LIABILITIES					
Equity					
Statutory reserve	20	463	463	463	463
<i>Retained earnings</i>					
Guarantee scheme	20	422	0	490	0
Other equity	20	971,112	956,423	1,178,248	1,158,391
Total equity	21	971,997	956,885	1,179,200	1,158,853
Technical provisions					
Gross premium reserve		2,715	29	185,388	140,840
Gross claims reserve	6, 15	846,075	846,945	1,381,124	1,409,646
Total technical provisions		848,790	846,975	1,566,512	1,550,486
Provisions for other liabilities					
Pension obligations, net	16	1,244	1,231	34,615	36,270
Income tax payable	9, 15	0	991	13,628	6,903
Other provision for liabilities		0	0	720	524
Total provisions for other liabilities		1,244	2,222	48,963	43,698
Payables					
Payables arising out of direct insurance operations		12,406	14,785	26,582	27,420
Payables arising out of reinsurance operations		12,359	15,103	23,489	36,420
Payables arising out of reinsurance operations - group companies		9,378	22	0	0
Payables to group companies		23,233	21,073	0	0
Other payables	15, 18	111	67	9,799	11,272
Total payables		57,488	51,050	59,870	75,112
Accruals and deferred income					
Accruals and deferred income	15	12,168	24,796	26,884	30,608
Total accruals and deferred income		12,168	24,796	26,884	30,608
Total liabilities		919,691	925,043	1,702,229	1,699,905
Total equity and liabilities		1,891,687	1,881,928	2,881,429	2,858,758

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 000's	Statutory reserve	Guarantee Scheme	Other equity	Parent company
				Total
Equity as at 21.02.18	463	0	976,573	977,035
Net result	0	0	(20,127)	(20,127)
Remeasurement due to change in pension assumptions	0	0	(23)	(23)
Equity as at 20.02.19	463	0	956,423	956,885
Equity as at 21.02.19	463	0	956,423	956,885
Net result	0	0	15,155	15,155
Remeasurement due to change in pension assumptions	0	0	(44)	(44)
Provision to obliged fund	0	422	(422)	0
Equity as at 20.02.20	463	422	971,112	971,997
				Consolidated accounts
Amounts in USD 000's	Statutory reserve	Guarantee Scheme	Other equity	Total
Equity as at 21.02.18	463	0	1,248,567	1,249,030
Net result	0	0	(89,028)	(89,028)
Remeasurement due to change in pension assumptions	0	0	(420)	(420)
Income tax related to change in pension assumptions	0	0	99	99
Exchange differences on subsidiaries	0	0	(827)	(827)
Equity as at 20.02.19	463	0	1,158,391	1,158,853
Equity as at 21.02.19	463	0	1,158,391	1,158,853
Net result	0	0	22,124	22,124
Remeasurement due to change in pension assumptions	0	0	(862)	(862)
Income tax related to change in pension assumptions	0	0	205	205
Provision to obliged fund	0	490	(490)	0
Exchange differences on subsidiaries	0	0	(1,119)	(1,119)
Equity as at 20.02.20	463	490	1,178,248	1,179,200

GARD P. & I. (BERMUDA) LTD.

STATEMENT OF CASH FLOW

Amounts in USD 000's	Notes	Parent company		Consolidated accounts	
		21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Cash flow from operating activities					
Profit/(loss) before tax		9,244	(34,720)	34,931	(107,686)
Tax paid	9	(997)	(2,018)	(4,252)	(2,790)
Dividends received from subsidiaries		(26,221)	(59,424)	0	0
Change in unrealised gain/(loss)		(18,860)	32,537	(90,472)	47,045
Loss from sales of equipment		0	0	(35)	(115)
Depreciation, impairment and amortisation expenses	10, 11, 12	0	0	2,490	42,571
Change in pension obligations	16	92	41	(1,323)	(1,838)
Pension defined benefit plan/pension cost paid		(79)	(81)	(331)	(827)
Financial investments		36,240	(41,871)	73,460	7,260
Change in valuation due to change in exchange rates		2,792	35,012	1,961	2,450
Change in receivables and payables		5,205	(24,776)	(2,298)	(59,915)
Change in technical provisions and other accruals		(7,490)	33,136	24,319	79,177
Net cash flow from operating activities		(74)	(62,163)	38,450	5,331
Cash flow from investment activities					
Dividends received from subsidiaries	3	26,221	59,424	0	0
Group contribution received from subsidiary	3	0	1,995	0	0
Purchase of intangible assets	10	0	0	(2,503)	(23,039)
Purchase of equipment	12	0	0	(4,476)	(1,848)
Purchase of property and plant	11	0	0	(891)	(155)
Proceeds from disposal of equipment		0	0	344	197
Net cash flow from investment activities		26,221	61,419	(7,527)	(24,845)
Cash flow from financial activities					
Borrowings		(20,839)	(20,000)	0	0
Repayment of borrowings		6,314	0	0	0
Net cash flow from financial activities		(14,525)	(20,000)	0	0
Net change in cash and cash equivalents		11,623	(20,745)	30,923	(19,515)
Cash and cash equivalents at beginning of year		52,235	72,979	152,265	171,780
Bank overdraft at beginning of year		0	0	0	0
Cash and cash equivalents at end of year		63,858	52,235	183,189	152,265

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 1 – Corporate information – the Gard group of companies

Gard P. & I. (Bermuda) Ltd. (the “Company”) is a mutual insurance association domiciled in Bermuda. The Company is incorporated as an exempt company and is registered by the Bermuda Monetary Authority as a Class 2 insurer. As a mutual insurance association, the Company is owned by its Members, being the owners and charterers of the ships from time to time insured by the Company for Protection and Indemnity risks (“P&I”). There are no external capital owners.

The principal activities of the Company and its subsidiaries (the “Gard group” or the “group”) are to insure its Members for: marine P&I risks; marine and energy risks through its wholly owned subsidiary Gard Marine & Energy Limited; and management of its assets which are used to cover the technical provisions.

The Members of the Company are also Members of Assuranceforeningen Gard - gjensidig - and vice versa. The major part of the two associations’ combined portfolio of direct business (currently about 60 per cent) is underwritten by the Company through its Norwegian branch as a direct insurer. Assuranceforeningen Gard - gjensidig - is primarily used as a vehicle for a smaller proportion of the combined P&I portfolio, which is primarily direct P&I business where an EU/EEA based insurer is required to comply with governing regulations regarding cross border activities.

Assuranceforeningen Gard - gjensidig - (“Gard Norway”) is a mutual insurance association registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. The principal activity of Gard Norway is to insure its Members for marine P&I risks, including the reinsurance of a proportion of the P&I risks underwritten by the Company as a direct insurer.

Gard Marine & Energy Limited (“Gard M&E”) is a wholly owned subsidiary of the Company. Gard M&E is domiciled in Bermuda and is registered by the Bermuda Monetary Authority as a Class 3B insurer covering, inter alia, marine, and energy risks. The principal activity of Gard M&E is direct insurance of marine and energy risks.

Gard Marine & Energy Insurance (Europe) AS (“Gard M&E Europe”) is a wholly owned subsidiary of Gard M&E. Gard M&E Europe is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of marine and energy risks.

Hydra Gard Cell. Hydra Insurance Company Limited (“Hydra”) is an insurance company established by the parties to the International Group of P&I Clubs’ Pooling Agreement. Hydra is a segregated accounts company incorporated under the Bermuda Segregated Accounts Companies Act 2000, as amended, to reinsure certain layers of risks which have been retained by the parties to the said Pooling Agreement. The Hydra Gard Cell (a segregated account) is owned 100 per cent by the Company. The assets and liabilities of the Hydra Gard Cell, are separated from Hydra’s general accounts and from the other cells or segregated accounts, of the company.

Safeguard Guarantee Company Ltd. (“Safeguard”) is a wholly owned subsidiary of the Company and is domiciled in Bermuda. Safeguard was previously registered by the Bermuda Monetary Authority as a Class 3A insurer; however, Safeguard suspended underwriting after 20 February 2015, and the company cancelled its insurer registration in October 2018.

Gard Reinsurance Co Ltd (“Gard Re”) is a wholly owned subsidiary of the Company domiciled in Bermuda. Gard Re is registered by the Bermuda Monetary Authority as a Class 3A insurer.

Its principal activity is the reinsurance of an agreed proportion of the risks retained by the Company, Gard M&E, and Gard Norway.

Lingard Limited (“Lingard”) is an insurance management company registered and domiciled in Bermuda and is a wholly owned subsidiary of the Company. Lingard offers insurance management and insurance intermediary services to the Company and its Bermuda based subsidiaries: Gard M&E, and Gard Re.

Gard AS is a wholly owned subsidiary of the Company. Gard AS is registered and domiciled in Norway. Its principal activity is to provide insurance agency and intermediary services to Lingard, Gard Norway, and Gard M&E Europe.

AS Assuransegården is a wholly owned subsidiary of the Company. AS Assuransegården is a Norwegian registered and domiciled company and is the owner of various fixed properties in Norway, which are used by the companies in the Gard group.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

Gard P. & I. (Bermuda) Ltd. is incorporated under Bermuda Law. The operations and insurance activities of the Company are carried out by Lingard. The accounts include the activity from 21 February 2019 to 20 February 2020.

The financial statements have been prepared under regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

2.2 Basis for consolidation

The consolidated financial statements comprise Gard P. & I. (Bermuda) Ltd. and the accounts of the companies over which the Company has a controlling interest. A controlling interest is usually obtained when ownership of the shares in a company is more than 50 per cent, and that ownership can exercise control over the company. The Company has the right to exercise membership rights in Gard

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Norway; therefore the Company controls all voting rights in Gard Norway. This is the legal basis for consolidating the two associations' accounts according to the International Accounting Standard 27 - Consolidated and Separate Financial Statements.

Transactions between consolidated companies have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared under the same accounting principles for both parent and subsidiaries. The acquisition method is applied when accounting for business combinations.

2.3 Use of accounting estimates when preparing the accounts

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

2.4 Foreign currency

Functional currency and presentation currency

The accounts are prepared in USD, which is both the functional currency and presentation currency of the Company.

Transactions in foreign currency

Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into USD using the exchange rate applicable on the balance sheet date. The currency exposure of the provision for claims is assessed to be equivalent to the same currency exposure as claims paid. The opening and closing balances of the provision for claims in foreign currency are translated into USD based on the same method as for monetary items. Non-monetary items that are measured at fair value and expressed in a non-USD currency are translated into USD using the exchange rate applicable on the transaction date. Translation differences are recognised in the income statement as they occur during the accounting period. Foreign exchange gains and losses that relate to borrowings, cash, and cash equivalents and financial investments, are presented as part of the non-technical result as 'Interest and similar income' and 'Change in unrealised gain/loss on investments' respectively. All foreign exchange gains and losses relating to technical operations are presented in the income statement as part of the technical result.

The assets and liabilities of group companies that have a functional currency different from USD are converted into USD at the rate of exchange at the closing date. Income and expenses are translated at an average rate of exchange. All resulting exchange differences are recognised in 'Other comprehensive income.'

2.5 Provisions, contingent liabilities and assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For potential obligations whose likelihood is not remote or probable (i.e., not 'more likely than not'), a contingent liability is disclosed.

Contingent assets are not recognised in the financial statements but are disclosed if it is likely that resources embodying economic benefits will flow to the Company.

2.6 Events after the reporting period

New and material information on the group's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the financial statements. Events after the reporting period that do not affect the group's financial position at the end of the reporting period but might significantly affect the financial position in the future, are disclosed in note 22.

2.7 Other significant accounting policies

Other significant accounting policies are presented and described in other notes to the financial statements, together with the more expanded disclosures for that particular area. This is done to make the disclosures more relevant to the users and make it easier to get an overview of the related note.

The following table includes other significant accounting policies that are described in separate notes to the financial statements, including the number of the note:

Accounting policy	Note	Accounting policy	Note
Technical result	6	Property, plant and equipment	11
Technical provisions	6	Investments in subsidiaries	13
Insurance related expenses	7	Financial Investments	14
Non-technical items	8	Pensions	16
Tax	9	Cash and cash equivalents	19
Intangible assets	10		

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 3 - Intra-group transactions

Reinsurance agreements

Gard P. & I. (Bermuda) Ltd. and Gard Norway have entered into mutual reinsurance agreements. The Company reinsures a proportion amounting to 25 per cent of Gard Norway's insurance portfolio after taking the external reinsurance into account. The Company cedes to Gard Norway by way of reinsurance 2 per cent of the Company's insurance portion after taking the external reinsurance into account.

Amounts in USD 000's	Received from Gard Norway		Ceded to Gard Norway	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurance	21,939	27,323	4,157	4,488
Reinsurers' share of gross settled claims	25,495	17,472	4,262	3,179
Reinsurance commission	6,468	8,352	1,232	1,381

Amounts in USD 000's	Received from Gard Norway		Ceded to Gard Norway	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Reinsurers' share of gross claims reserve	63,289	70,992	11,398	10,913

Both the Company and Gard M&E have entered into reinsurance agreements with Gard Re, where the two direct insurers are ceding 50 per cent of their insurance portfolio after taking the external reinsurance into account.

Amounts in USD 000's	Ceded to Gard Re	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reinsurance	112,811	123,610
Reinsurers' share of gross settled claims	115,246	85,123
Reinsurance commission	33,948	38,444

Amounts in USD 000's	Received from Gard Re	
	As at 20.02.20	As at 20.02.19
Reinsurers' share of gross claims reserve	302,454	307,415

The Company and Gard Norway have entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The Company's segregated account (cell) in Hydra is covering the former companies' liability to layers of the International Group (IG) Pool and retention in the 1st market excess layer.

Amounts in USD 000's	Ceded to Hydra	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Ceded reinsurance	34,140	33,623

Insurance management agreement

The Company, Gard M&E and Gard Re have appointed Lingard as their insurance manager and principal representative in Bermuda. The services provided by Lingard are governed by individual insurance management agreements entered into between each of the above four companies and Lingard. The Company and Gard M&E have entered into an insurance services agreement with Gard (Singapore) Pte. Ltd. where Gard (Singapore) Pte. Ltd. is performing certain day-to-day operational functions for the companies'.

In addition, secondment agreements have been entered into between the insurance branches in Singapore, Japan and Hong Kong, and the insurance intermediary service company in the same country. Costs related to these agreements are reimbursed by the insurance branches directly to the insurance intermediary service companies.

Amounts in USD 000's	Insurance services invoiced	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Lingard	61,916	66,057
Gard (Singapore) Pte. Ltd.	3,380	3,246

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 3 - Intra-group transactions continued

Insurance/reinsurance agency agreements

Lingard in its capacity as insurance manager of the Company and Gard M&E has entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branches of the Company and Gard M&E, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the two Bermuda based risk carriers. A similar agency agreement has been entered into between Gard Norway and Gard M&E Europe as the principal and Gard AS as the agent.

Insurance agency agreements have been concluded between Lingard and each of the subsidiaries of Gard AS for the purpose of sub-delegating certain insurance intermediary functions to regional offices in Finland, Greece, Hong Kong, Singapore, Japan, the United Kingdom and the United States of America.

Loan agreement

The Company has entered into loan agreements with AS Assuransegården and Gard AS. A loan granted to Gard AS in order to finance an IT project was waived for the year ended 20 February 2020 due to the termination of the contract.

Amounts in USD 000's	Loan balance	
	As at 20.02.20	As at 20.02.19
AS Assuransegården (borrower)	10,101	12,332
Gard AS (borrower)	9,887	13,960
Total loan to subsidiaries	19,989	26,292
Amounts in USD 000's	Interest received	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
AS Assuransegården	230	200
Gard AS	658	958

Dividends and capital contributions

Amounts in USD 000's	Dividends received	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Gard M&E	5,000	45,000
Gard Re	12,000	0
Lingard	4,000	4,750
Hydra	5,221	9,162
Safeguard	0	512
Amounts in USD 000's	Repayment of capital contribution	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Safeguard	0	1,995

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
EEA	128,149	138,499	402,798	378,827
Norway	93,580	105,847	116,774	117,200
Other areas	109,553	109,010	280,260	263,808
Total gross written premium	331,281	353,356	799,831	759,835

The geographical split is made based on the location of the individual Member or client.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 5 - Last instalment

These accounts are prepared on the basis of 0 per cent last instalment in respect of the 2019 policy year.

Due to high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic the decision on the level of the last instalment is postponed to after the final approval of these financial statements and no last instalment is included.

The original estimated last instalment was 20 per cent. The last instalment for the 2018 policy year (financial year ending 20 February 2019) was reduced to 10 per cent from 20 per cent.

The reduction in last instalment amounts to USD 73.9 million (financial year ending 20 February 2019 USD 38.4 million). On ETC basis the gross written premium for the financial year ending 20 February 2020 is USD 873.7million (financial year ending 20 February 2019 USD 797.9 million).

Note 6 - Technical result and technical provisions

Accounting policy

Premiums

Premiums are based on the insurance contracts where one party (the insurer) has accepted a significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Premiums are recognised over the insurance policy period. The last instalment for P&I business for the accounting year is subject to approval by the Board of Directors in the following year. Supplementary calls for P&I business may be charged to Members for previous policy years.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro-rata basis. The proportion attributable to subsequent periods is deferred as gross premium reserve.

Reinsurance premiums

Reinsurance premiums are recognised as an expense over the underlying policy period.

Claims expenses

Expenses regarding incurred claims and other administrative expenses are recognised in the period they are incurred. Paid claims include an allocated portion of both direct and indirect claims handling cost.

Amounts in USD 000's	P&I	Parent company		Consolidated accounts		
		M&E	Total	P&I	M&E	Total
			21.02.19 to 20.02.20			21.02.19 to 20.02.20
Technical result						
Gross written premium	331,281	0	331,281	445,419	354,412	799,831
Gross earned premium	328,595	0	328,595	442,052	313,232	755,283
Ceded reinsurance	(217,116)	0	(217,116)	(97,890)	(74,779)	(172,668)
Earned premium for own account	111,479	0	111,479	344,162	238,453	582,615
Claims incurred, gross						
Incurred this year	325,736	0	325,736	468,324	223,317	691,640
Incurred previous years	578	0	578	(39,136)	(30,854)	(69,990)
Total claims incurred, gross	326,314	0	326,314	429,187	192,463	621,650
Reinsurers' share of gross incurred claims	(167,208)	0	(167,208)	(24,172)	(11,711)	(35,883)
Claims incurred for own account	159,106	0	159,106	405,015	180,752	585,767

Accounting policy

Technical provisions are calculated in accordance with the regulations for annual accounts for insurance companies.

Gross premium reserve

The gross premium reserve is amortised over the risk period and is calculated and accounted for in the balance sheet as a provision for the part of premium written that exceeds the end of the financial year. Changes in the provision are charged to the income statement.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 6 - Technical result and technical provisions continued

Gross claims reserve

The gross claims reserve comprises estimates of the expected remaining exposure from claims that have been reported to the Company (RBNS), and from claims that have been incurred, but which have not yet been reported (IBNR).

Provisions for reported claims are made by assessing the liability of each claim. Actuarial methods are used in estimating the total cost of outstanding claims. The claim provisions have not been discounted.

In accordance with the Norwegian regulations for insurance companies provisions for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) and binary events are included in the 'Gross claims reserve'.

Insurance contract liabilities

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

Amounts in USD 000's	P&I	Parent company As at 20.02.20		P&I	Consolidated accounts As at 20.02.20	
		M&E	Total		M&E	Total
Technical provisions gross						
Provisions, at the beginning of the year	846,945	0	846,945	1,079,096	330,550	1,409,646
Claims paid	(327,184)	0	(327,184)	(425,553)	(224,620)	(650,173)
Claims incurred - gross this year	325,736	0	325,736	468,324	223,317	691,640
Claims incurred - gross previous years	578	0	578	(39,136)	(30,854)	(69,990)
Provisions, at the end of the year	846,075	0	846,075	1,082,731	298,393	1,381,124
Reinsurers' share of claims provision	(507,370)	0	(507,370)	(193,991)	(33,249)	(227,240)
Provisions net, at the end of the year	338,704	0	338,704	888,740	265,144	1,153,884
Provision for unearned premiums, gross	2,715	0	2,715	3,493	181,895	185,388
Reinsurers' share of premium provision	(1,395)	0	(1,395)	(99)	(38,145)	(38,244)
Provision for unearned premiums, net	1,320	0	1,320	3,393	143,751	147,144
The Company is a member of the International Group of P&I Clubs						
Gross technical provision regarding Pooling Agreement	(144,691)	0	(144,691)	(173,432)	0	(173,432)
Net technical provision regarding Pooling Agreement	(57,433)	0	(57,433)	(91,531)	0	(91,531)
Provision for outstanding claims						
Technical provision gross	846,075	0	846,075	1,082,731	298,393	1,381,124
Technical provision net	338,704	0	338,704	888,740	265,144	1,153,884

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 7.6 million as at 20 February 2020 (USD 4.0 million as at 20 February 2019).

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Company applied the following methods: Development factor method, Bornhuetter Ferguson, Apriori reduced method and Benktander. Based on these methodologies the gross claim reserve for the group ranges between USD 1,367 million and USD 1,395 million. The claim reserves for the parent company ranges between USD 839 million and 853 million.

Note 7 - Insurance related expenses and number of staff

Accounting policy

Insurance related expenses for own account consist of broker and agent commissions, sales and administrative expenses, less commission received on ceded reinsurance premiums. Sales expenses are recognised in the period in which they are incurred. The administrative expenses and commission received are expensed over the underlying policy period.

Insurance related expenses are accounted for in the period they are incurred.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 7 - Insurance related expenses and number of staff continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Acquisition costs and commissions				
Sales related salaries and wages	0	0	23,229	26,300
Other acquisition costs	0	0	15,419	17,458
Insurance intermediary	17,818	22,767	0	0
Agents' commission	20,362	22,986	51,474	48,281
Commission received	(42,762)	(43,463)	(17,479)	(10,820)
Insurance related expenses for own account	(4,582)	2,291	72,645	81,218
Number of staff	0	0	534	520

Remuneration to Group Leadership Team, Board of Directors and Committees

Amounts in USD 000's	Salary incl.bonus*	Benefits in kind*	Total	Loan balance
Group Leadership Team				
Rolf Thore Roppestad (CEO)	776	79	855	
Svein Buvik	257	24	281	
Bjørnar Andresen	421	47	468	306
Torunn Biller White	175	20	195	
Kristian Dalene	335	16	351	67
Lars Lislegard-Bækken	185	16	202	164
Christen Guddal	390	55	445	
Line Dahle	229	17	245	184
Christian Pritchard-Davies (from 01.01.2020)	40	3	43	
Hildegunn Danielsen (to 14.11.2019)	188	23	211	
Steinar Bye (to 29.05.2019)	344	36	380	
Total	3,340	335	3,675	721

* All figures are excluding social security costs.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 7 - Insurance related expenses and number of staff continued

The table below provides information regarding payments made in the financial year 2020 to members of the Board of Directors within the group.

Remuneration relating to the financial year 2020, but not yet paid, is accrued for in the accounts.

Amounts in USD 000's	Board remuneration	Board committee remuneration	Consolidated accounts Board remuneration, other group companies	Total remuneration
Members of the Board of Directors				
Morten W. Høegh (Chairman)	30	18	20	68
Michael Lykiardopulo (Deputy Chairman)	25	5	5	35
Nils Aden (Member)	20	15	51	86
Yngvil Åsheim (Member)	20	23	30	73
Ian Beveridge (Member)	20	38	30	88
Pawel Brzezicki	20			20
Ian Blackley (Member)	20			20
Kua Hua Chang (Member)	20			20
Trond Eilertsen	20	30	82	132
Timothy C. Faries	20		5	25
Konstaninos Gerapetritis (Member)	20	5		25
Carl-Johan Hagman (Member)	20	15		35
Herbjørn Hansson (Member)	20	5		25
Kenneth Hvid (Outgoing Deputy Chairman)	20	5		25
Craig Jasienski (Member)	20	5		25
Hans Peter Jebsen (Member)	20			20
Stephen Knudtzon	20	10		30
Erik Nielsen (Member)	20			20
Halvor Ribe (Member)	20	10		30
Callum Sinclair (Member)	20			20
Rajalingam Subramaniam (Member)	20			20
Jane Lim Sy (Member)	20	15	51	86
Takaya Uchida (Member)	20			20
Erika Correia (Employee representative)			11	11
Anne Glestad Lech (Employee representative)			11	11
Are Solumn (Employee representative)			11	11
Total	475	198	308	981

Some of the insurance intermediaries offer their employees (minimum 50 per cent position) mortgage loans, secured by real estate. The loans have a rate of interest according to the interest set by the Tax Ministry in Norway and the repayment period is before retirement age.

The CEO has a remuneration guarantee that comes into force if the Board should ask him to leave his position. The remuneration guarantee gives him 12 months' salary in addition to a contractual six months' notice period.

The minority of the Group Leadership Team (GLT) and certain key personnel have a pension scheme that gives them the right to retire at 60 years of age and covers income included and above 12 times the base amount (see note 20 for definition of base amount). The full pension requires a thirty year accrual period in Gard, or it will be reduced accordingly. The accounting expense for the pension benefits earned in the period are for Roppestad (USD 0.6 million), Guddal (USD 0.5 million), Andresen (USD 0.4 million), Dalene (USD 60 thousand), Buvik (USD 32 thousand), Dahle (USD 19 thousand), Lislegard-Bækken (USD 19 thousand), White (USD 19 thousand), Pritchard-Davies (USD 3 thousand), Danielsen (USD 19 thousand) and Bye (USD 19 thousand).

Gard P. & I. (Bermuda) Ltd. has given a collective bonus promise to all employees within the group including the CEO. A bonus will be paid if predefined targets are met. Members for GLT and other Key Employees, as defined in the legislation, are participating in the collective bonus scheme subject to certain adjustments required in the new Finance Institution Act of 2015 (Finansforetaksloven). The bonus will be paid through the companies where the employees work and refunded by Gard P. & I. (Bermuda) Ltd. A maximum possible bonus is 20 percent of gross salary. For all employees, excluding GLT and other Key Employees, a bonus of 12.5 per cent of gross salary is expected to be paid for the year to 20 February 2020.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 7 - Insurance related expenses and number of staff continued

The key features of the special terms for members of GLT and Key Employees can be summarized as follows:

1. The maximum bonus payable to members of GLT and other Key Employees shall be reduced to 80 per cent of the bonus payable to employees in general under the collective scheme as outlined above.
2. The payment of a proportion of the bonus triggered by the collective scheme under (1) above shall be deferred for a period of 39 months from the expiry of the financial year the bonus is linked. The payment after three years of the deferred component is subject to some further terms and conditions, including defined financial performance target for the three years period.
3. An individual component, based on an individual assessment conducted by the CEO in consultation with the Chairman of the Executive Committee of Gard P. & I. (Bermuda) Ltd.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Remuneration auditor				
Auditing fee	298	385	1,115	1,206
Tax advising	0	0	126	170
Non audit services	0	0	94	107
Total auditors' fee	298	385	1,335	1,483

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Remuneration to related parties				
Wikborg, Rein & Co.	0	0	706	260
Advokatfirmaet Thommesen AS	0	0	93	131
Appleby (Bermuda) Limited	15	15	18	28
Total remuneration related parties	15	15	818	418

Partners in the companies Wikborg, Rein & Co, Advokatfirmaet Thommesen AS and Appleby are board members of the group. VAT is included in the fees specified above.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Net operating expenses				
Bad debt	33,248	33,743	1,346	807
Service cost	65,296	69,304	0	0
Allocated to claims handling and acquisition costs	(65,754)	(70,012)	0	0
Other operating expenses	(29,920)	21,673	7,807	62,670
Other insurance related expenses	2,870	54,708	9,153	63,477

Included in other operating expenses are also revenues related to non-insurance activities. An intercompany loan granted to finance an IT project was waived due to termination of the contract.

Note 8 - Non-technical items

Accounting policy

Other income and expenses are accounted for in the period they are incurred.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Interest and similar income/(expenses)				
Interest income	(3)	(3)	1,134	1,741
Income financial investments held for trading (portfolio investments)	2,508	1,010	7,660	2,327
Foreign exchange gain/(loss)	(4,071)	(4,171)	(5,040)	(7,681)
Total interest and similar income/(expenses)	(1,566)	(3,163)	3,755	(3,613)

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 9 - Tax

Accounting policy

The tax expense consists of tax payable and changes in deferred tax.

Deferred tax/tax asset of the subsidiaries is calculated on all differences between the book value and the tax value of assets and liabilities. Deferred tax is calculated at the nominal tax rate of temporary differences and the tax effect of tax losses carried forward at the tax rate at the end of the accounting year. Changes in tax rates are accounted for when the new rate has been approved and changes are presented as part of the tax expense in the period the change has been made. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that the tax asset will be utilised.

Taxes are calculated as follows

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Basis for income tax expense, changes in deferred tax and tax payable				
Total comprehensive income/(loss) as basis for tax calculation	(20,911)	(54,614)	(18,336)	(84,663)
Basis for calculating tax	(20,911)	(54,614)	(18,336)	(84,663)
Permanent differences	(5,532)	(3,741)	62,534	774
Pension charged directly to equity	0	0	(612)	(295)
Basis for the tax expense for the year	(26,443)	(58,356)	43,586	(84,184)
Change in temporary differences	(929)	1,694	(42,918)	(35,829)
Basis for payable taxes in the income statement	(27,372)	(56,662)	668	(120,013)
Change in (utilisation of) tax losses carried forward	(6,461)	56,662	10,079	39,166
Taxable income (basis for payable taxes in the balance sheet)	(33,833)	0	10,747	(80,847)

Income tax expenses

Tax payable	0	0	10,370	5,413
Tax correction earlier year	215	(4)	717	(515)
Change in deferred tax	(6,127)	(14,589)	1,544	(23,631)
Paid foreign withheld tax	0	0	176	74
Tax expenses ordinary result	(5,912)	(14,593)	12,807	(18,659)

Income tax payable

Tax at the beginning of the year	991	3,186	6,903	4,567
Tax payable related to the year	0	0	11,444	5,363
Tax paid during the year	(997)	(2,018)	(4,252)	(2,790)
Tax correction earlier year	0	0	(15)	(63)
Exchange adjustments	6	(178)	(452)	(174)
Tax payable at the end of the year	0	991	13,628	6,903

Deferred tax/tax asset

Specification of tax effect resulting from temporary differences

Pension obligations	0	0	32,578	34,131
Portfolio investments	0	0	(13,580)	(5,319)
Equipment	0	0	499	41,259
Tax loss carried forward	78,479	56,662	155,137	114,827
Retained earnings	0	0	(83,468)	(101,659)
Other temporary differences	(929)	1,694	3,839	17,781
Total temporary differences	77,550	58,356	95,005	101,020
Deferred tax asset, 25 per cent of total temporary differences	19,387	14,589	23,751	25,255

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 9 - Tax continued

As a company organised under the laws of Bermuda, the Company is not subject to taxation in Bermuda, as Bermuda does not impose taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until 28 March 2035.

Amounts in USD 000's	Parent company		Consolidated accounts	
	21.02.19 to 20.02.20	21.02.18 to 20.02.19	21.02.19 to 20.02.20	21.02.18 to 20.02.19
Reconciliation of the tax expense				
Basis for calculating tax	(20,911)	(54,614)	(18,336)	(36,178)
Calculated tax 25 per cent	(5,228)	(13,654)	(4,584)	(9,045)
Tax expense	(5,912)	(14,593)	12,807	(18,659)
Difference	684	939	(17,391)	9,614
The difference consists of:				
Changes in temporary differences not subject to deferred tax	408	935	(18,457)	12,632
Tax regarding tax audit earlier year	(215)	4	769	(486)
Differences related to different tax rates within the group	491	0	150	(760)
Other differences	0	0	147	(1,772)
Sum explained differences	684	939	(17,391)	9,614

Note 10 - Intangible assets

Accounting policy

Intangible assets relate to key software used in the Group's operation. External cost of acquiring and implementing software as well as employee costs directly attributable to implementation are capitalized. Amortisation is charged to comprehensive income on a straight-line basis over the estimated useful life of each intangible asset, starting from the point at which the asset is ready for use.

Amounts in USD 000's	Consolidated accounts	
	As at 20.02.20	As at 20.02.19
Developed software at cost		
Costs at the beginning of the year	48,822	28,186
Net additions/(disposals)	2,503	23,039
Correction impairment previous year	(40,273)	0
Exchange adjustments	(649)	(2,404)
Costs at the end of the year	10,403	48,822
Depreciation and impairment at the beginning of the year	47,543	7,611
Depreciation	314	196
Impairment	(40,273)	42,085
Exchange adjustments	(554)	(2,349)
Depreciation at the end of the year	7,030	47,543
Net book value at the end of the year	3,374	1,279
Amortisation period		3-5 years
Amortisation type		linear

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 11 - Property and plant used in operation

Accounting policy

Property, plant and equipment, notes 11 and 12, is capitalised and depreciated linearly over its estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and are depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount.

Amounts in USD 000's	Real estate	Property, plant	Consolidated accounts
	As at 20.02.20	As at 20.02.20	Total As at 20.02.20
Costs at the beginning of the year	19,760	16,183	35,943
Net additions/(disposals)	101	791	891
Exchange adjustments	(1,471)	(1,235)	(2,705)
Costs at the end of the year	18,391	15,738	34,129
Depreciation at the beginning of the year	9,882	3,432	13,313
Depreciation charge for the year	267	315	582
Exchange adjustments	(733)	(262)	(995)
Depreciation at the end of the year	9,416	3,484	12,901
Net book value at the end of the year	8,974	12,254	21,228

Amounts in USD 000's	Real estate	Property, plant	Consolidated accounts
	As at 20.02.19	As at 20.02.19	Total As at 20.02.19
Costs at the beginning of the year	22,344	16,839	39,183
Net additions/(disposals)	(664)	819	155
Exchange adjustments	(1,920)	(1,475)	(3,395)
Costs at the end of the year	19,760	16,183	35,943
Depreciation at the beginning of the year	10,649	3,560	14,208
Depreciation charge for the year	147	180	327
Impairment	0	0	0
Exchange adjustments	(914)	(308)	(1,222)
Depreciation at the end of the year	9,882	3,432	13,313
Net book value at the end of the year	9,879	12,751	22,630
Amortisation period	67 years	5-20 years	
Amortisation type	linear	linear	

Rent included in the consolidated accounts is charged to Comprehensive income in the period the offices are used. Any remaining rental liabilities are not included in the balance sheet. Rental liabilities amount to USD 15.8 million as at the balance sheet date (USD 18.1 million as at 20 February 2019). Total costs regarding rent in the consolidated account amount to USD 4.6 million (USD 4.6 million as at 20 February 2019).

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 12 - Equipment

Amounts in USD 000's	Parent company		Consolidated accounts	
	Art As at 20.02.20	Art	Equipment	Total As at 20.02.20
Acquisition costs at the beginning of the year	1,356	4,377	15,659	20,036
Net additions/(disposals)	0	0	2,109	2,109
Exchange adjustments	0	0	(949)	(949)
Costs at the end of the year	1,356	4,377	16,820	21,196
Depreciation at the beginning of the year	695	1,474	10,937	12,411
Depreciation charge for the year	0	0	1,594	1,594
Exchange adjustments	0	4	(702)	(699)
Depreciation at the end of the year	695	1,477	11,829	13,307
Net book value at the end of the year	661	2,899	4,991	7,890

Amounts in USD 000's	Parent company		Consolidated accounts	
	Art As at 20.02.19	Art	Equipment	Total As at 20.02.19
Acquisition costs at the beginning of the year	1,356	4,411	15,126	19,537
Net additions/(disposals)	0	(41)	1,692	1,651
Exchange adjustments	0	7	(1,159)	(1,152)
Costs at the end of the year	1,356	4,377	15,659	20,036
Depreciation at the beginning of the year	695	1,462	11,915	13,377
Depreciation charge for the year	0	0	(37)	(37)
Exchange adjustments	0	12	(941)	(929)
Depreciation at the end of the year	695	1,474	10,937	12,411
Net book value at the end of the year	661	2,903	4,722	7,624

Amortisation period 3-5 years
Amortisation type linear

Note 13 - Investments in subsidiaries

Accounting policy

Investments in the subsidiaries are valued at the lower of cost and fair value in the parent company accounts. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

In the financial year ending 20 February 2020, an impairment loss of USD 1.931 million has been recognised for Safeguard.

Amounts in USD 000's	Ownership	Voting share	Place of office	Share capital	Book value USD As at 20.02.20	
AS Assuransgård	100%	100%	Norway	NOK	22,220	21,095
Gard AS	100%	100%	Norway	NOK	30,000	70,932
Gard Marine & Energy Limited	100%	100%	Bermuda	USD	190,000	197,737
Gard Reinsurance Co Ltd	100%	100%	Bermuda	USD	150,000	295,000
Hydra Insurance Company Ltd. (Gard's cell)	100%	100%	Bermuda	USD	7,698	7,698
Lingard Limited	100%	100%	Bermuda	USD	900	900
Safeguard Guarantee Company Ltd.	100%	100%	Bermuda	USD	5	0
Total						593,363

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss

Accounting policy

Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivative financial investments are also categorised as held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as receivables and payables in the balance sheet.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where group's management has the positive intention and ability to hold to maturity, other than:

- Those that the group upon initial recognition designates as at fair value through profit or loss;
- Those that meet the definition of loans and receivables.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans, receivables and held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Unrealised gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Change in unrealised gain/loss on investments' in the period in which they arise. Realised gains or losses are presented within 'Gains on realisation of investments'. Dividends and interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of 'Interest and similar income' when the right to receive payments is established. Dividends from investments are recognised when the Company has an unconditional right to receive the dividend.

Dividend paid is recognised as a liability at the time when the General Meeting approves the payment of the dividend.

Interest on held-to-maturity investments is included in the consolidated statement of comprehensive income and reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of comprehensive income.

Offsetting financial investments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

For the 'loans and receivables' category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an investment's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values.

Financial investments at fair value through profit or loss

The fair value of financial assets classified as financial investments at fair value through profit or loss and the fair value of interest-bearing securities included is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are supported by observable market prices.

Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fair value hierarchy

The Gard group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique.

Financial investments in Level 1

The fair value of financial investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last trade price (these investments are included in Level 1). US government bonds and other financial investments have been classified on Level 1 in the pricing hierarchy.

Financial investments in Level 2

The fair value of financial investments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an investment are observable, the investment is included in Level 2.

Investments listed in the following have been classified on Level 2 in the pricing hierarchy:

- Equity funds and interest-bearing securities and funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity futures, interest futures, currency futures, currency forwards and interest rate swaps where fair values are determined on the basis of the price development on an underlying asset or instrument. All derivatives are priced by standard and well recognized methods.

If one or more of the significant inputs is not based on observable market data, the investment is included in Level 3.

Specific valuation techniques used to value financial investments include:

- Quoted market prices or dealer quotes for similar investments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial investments.

Note that all of the resulting fair value estimates are included in Level 2 except for financial investments explained below.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

Financial investments in Level 3

Level 3 includes securitised debt investments and investments in less liquid fund structures.

Amounts in USD 000's	Parent company As at 20.02.20				Parent company As at 20.02.19			
	Quoted market prices	Observable market data	Non observable market data	Total	Quoted market prices	Observable market data	Non observable market data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	137,200	34,706	171,906	0	193,648	32,379	226,027
Interest-bearing securities and funds	57,295	366,447	10,574	434,316	38,280	352,574	4,800	395,654
Cash incl. in other financial investments	12	0	0	12	3	0	0	3
Total financial investments	57,307	503,648	45,280	606,234	38,282	546,222	37,179	621,683

Amounts in USD 000's	Consolidated accounts As at 20.02.20				Consolidated accounts As at 20.02.19			
	Quoted market prices	Observable market data	Non observable market data	Total	Quoted market prices	Observable market data	Non observable market data	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial investments								
Equities and investment funds	0	466,930	105,575	572,504	0	499,908	105,128	605,036
Interest-bearing securities and funds	130,591	1,377,683	21,148	1,529,422	114,520	1,355,673	9,600	1,479,793
Cash incl. in other financial investments	35	0	0	35	8	0	0	8
Other financial investments	0	0	0	0	111	0	0	111
Total financial investments	130,626	1,844,613	126,722	2,101,961	114,639	1,855,581	114,728	2,084,949

The majority of investments held are subfunds of the Gard Unit Trust Fund, a legal fund structure established in Ireland in the prior year.

Equities and investment funds

Each subfund holds well diversified portfolios with different investment objectives, and the underlying holdings are common stocks traded on regional stock exchanges. The Group possesses only minority interests in quoted companies. The Group also has funds other than the Gard Unit Trust Fund that hold investments in direct property, alternatives and private debt.

Interest-bearing securities and funds

Funds classified as Interest-bearing securities and funds are predominantly invested in fixed income securities and money markets. There is also some exposure to floating rate loans and private debt.

Amounts in USD 000's	Investment profile	Currency	Parent company As at 20.02.20
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	11,898
Gard Global Impact Equity Fund	Global equity	USD	16,137
Gard Emerging Markets Fund	Emerging market equity	USD	14,140
Gard Global Equity Fund II	Global equity	USD	24,514
Phoenix Global Real Estate Fund I	Global real estate	USD	1,953
Aberdeen Frontier Equity Fund	Frontier equity	USD	18,468
GS Specialized Investment Fund	Volatility option strategy	USD	52,043
CBRE Global Real Estate Fund	Global real estate	USD	32,753
Total Equity funds			171,906
Total Equities and investment funds			171,906

The part of Equity fund invested in quoted shares 85,157

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 14 - Financial investments at fair value through profit or loss continued

Amounts in USD 000's	Investment profile	Currency	Parent company As at 20.02.20
Interest-bearing securities			
US Treasury Bills	US Treasury bond	USD	20,876
Total Interest-bearing securities			20,876
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	78,958
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	54,608
Gard Global Credit Bond Fund I	Global corporate bonds	USD	24,354
Northern Trust Cash Fund	Money market US Dollar	USD	36,419
Gard Emerging Market Debt Fund	Emerging market debt	USD	47,829
Gard Global Bond Fund I	Global aggregate bonds	USD	108,176
CQS Credit Fund	Global multi asset credit	USD	52,523
Gard Private Debt Fund	Global private debt	USD	10,574
Total Interest-bearing funds			413,440
Total Interest-bearing securities and funds			434,316

The Group has an equity exposure of 16.6 per cent of it's total investments.

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts As at 20.02.20
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	79,420
Gard Global Impact Equity Fund	Global equity	USD	54,853
Gard Emerging Markets Fund	Emerging market equity	USD	64,197
Gard Global Equity Fund II	Global equity	USD	84,263
Phoenix Global Real Estate Fund I	Global real estate	USD	1,953
Aberdeen Frontier Equity Fund	Frontier equity	USD	18,468
GS Specialized Investment Fund	Volatility option strategy	USD	52,043
CBRE Global Real Estate Fund	Global real estate	USD	65,507
Phoenix Global Real Estate Fund II	Global real estate	USD	38,115
Bridgewater Pure Alpha Fund	Global tactical asset allocation	USD	113,685
Total Equity funds			572,504
Total Equities and investment funds			572,504

The part of Equity fund invested in quoted shares 301,202

Amounts in USD 000's	Investment profile	Currency	Consolidated accounts As at 20.02.20
Interest-bearing securities			
US Treasury Bills	US Treasury bond	USD	58,553
Total Interest-bearing securities			58,553
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	313,651
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	198,534
Gard Global Credit Bond Fund I	Global corporate bonds	USD	129,018
Northern Trust Cash Fund	Money market US Dollar	USD	72,038
Gard Emerging Market Debt Fund	Emerging market debt	USD	120,138
Gard Global Bond Fund I	Global aggregate bonds	USD	420,905
CQS Credit Fund	Global multi asset credit	USD	195,436
Gard Private Debt Fund	Global private debt	USD	21,148
Total Interest-bearing funds			1,470,869
Total Interest-bearing securities and funds			1,529,422

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk

Risk management framework

The purpose of the risk management system is to ensure that material risks are managed in accordance with the Company's corporate objectives and risk-bearing capacity. The risk management system consists of the following components:

Risk appetite and limits: Overall Risk Appetite and Comfort Zone (target range for capitalisation) are defined in accordance with risk-bearing capacity and corporate objectives. This cascades into limits by risk type and legal entities. This forms the basis for all risk management, monitoring and reporting.

Risk policies: There are group policies describing the processes and procedures for managing material risk exposures. The purpose of the policies is to ensure consistent and adequate risk and capital management.

Risk management cycle: Material risks are identified, assessed regularly, managed proactively, monitored regularly and reported to the relevant responsible body.

Main financial risks

Market risk

Market risk arises from the investment activities and the sensitivity of liabilities to changes in market price. The sensitivity analysis of investments assets aims to illustrate the risk of economic losses resulting from deviations in the value of assets caused by changes in observable market prices differing from expected values. The five main market risks selected for testing of sensitivity due to price changes are;

Equity risk

The risk of economic losses resulting from deviations of market values of equities from expected values. The equity portfolio is well diversified, although with skewedness towards emerging markets and smaller companies compared to a global market capitalised benchmark. This is expected to generate a slightly higher return combined with higher volatility over time. The equity portfolio is being managed by a selection of specialist fund managers in which portfolios are partly hedged through a rolling equity index futures program. The sensitivity analysis for equity risk includes equities net of equity index derivatives.

Interest rate risk

The risk of economic losses resulting from deviations in actual interest rates from expected interest rates. The term structure of interest-bearing assets is broadly matched to the expected duration of the liabilities. The sensitivity analysis for interest-bearing securities instruments is testing the portfolio's interest rate sensitivity with a weighted average duration approach. Interest sensitive liabilities are not part of the analysis.

Alternatives risk

The risk that the actual return or performance relative to benchmark of investments due to active management decisions will be lower than expected. The sensitivity analysis for alternative risk is assigned to a global alternative fund which aims to generate excess return by tactically adjusting asset allocation across a variety of asset classes.

Real estate risk

The risk of economic losses resulting from deviations of actual values and/or income from real estate from those expected. The sensitivity analysis for real estate risk is performed on funds which represent the part that is strategically allocated to real estate.

Currency risk

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange rates. Foreign currency exposures are assumed to be tightly matched across the balance sheet and managed with an emphasis on major currency exposures. Currency forward derivatives may also serve as an effective tool for mismatch adjustments. The sensitivity analysis for foreign currencies only applies to investments assets and illustrates the impact on values given changes in exchange rates against USD.

The table below splits the balance sheet into the major currencies USD, EUR and GBP, and remaining currencies are grouped into Other. Note that investments held as shares/units in various fund structures are reported in base currency. The split deviates from underlying currency exposure that is used as input in the enterprise risk models.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Currency split balance sheet

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Assets				
USD	1,700,522	1,679,898	2,512,617	2,492,400
EUR	26,809	30,610	72,445	74,753
GBP	16,626	18,384	33,557	35,945
Other	147,729	153,037	262,810	255,660
Total assets	1,891,687	1,881,928	2,881,429	2,858,758
Equity and liabilities				
USD	1,615,840	1,560,474	2,265,510	2,149,084
EUR	147,605	155,632	266,565	270,491
GBP	94,210	113,254	115,285	145,289
Other	34,033	52,567	234,069	293,895
Total equity and liabilities	1,891,687	1,881,928	2,881,429	2,858,758
Net asset exposure				
USD	84,683	119,423	247,106	343,317
EUR	(120,796)	(125,022)	(194,119)	(195,738)
GBP	(77,584)	(94,870)	(81,728)	(109,344)
Other	113,697	100,469	28,741	(38,234)

Financial investments - sensitivity analysis

The analysis below is performed for reasonably possible movements in key market variables with all other variables held constant.

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Impact on fixed income portfolio investments given an increase of 50 basis points	(7,486)	(5,128)	(26,360)	(20,066)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(13,728)	(12,855)	(35,352)	(31,941)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(15,509)	(15,078)	(53,427)	(48,290)
Impact on real estate portfolio given a 10 per cent drop in NAV	(3,471)	(3,238)	(10,557)	(10,513)
Impact on alternatives portfolio given a 10 per cent drop NAV	0	0	(11,369)	(11,247)

The sensitivity analysis assumes no correlation between equity price, property market and foreign currency rate risk. It also assumes that all other receivables and payables remain unchanged and that no management action is taken. The Gard group has no significant risk concentrations which are not in line with the overall investment guidelines set by the Company's Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

Credit risk

The risk of economic losses resulting from the default of third parties, split into:

Credit default risk

The risk that actual credit losses will be higher than expected due to the failure of counterparties to meet their contractual debt obligation.

Credit spread risk

The risk of economic losses due to the difference in yield between a defined rating class bucket and treasury bills/bonds with the same duration.

Credit migration risk

The risk that a portfolio's credit quality will materially deteriorate over time, without allowing a re-pricing of the constituent loans to compensate the creditor for the higher default risk being undertaken.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Counterparty default risk

The main sources of counterparty default risk are reinsurers, cash deposits at banks, derivative counterparties, and receivables from policyholders.

The credit exposure on the reinsurance program is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Group is, however, faced with BBB rating exposure through the IG Pooling agreement. Among the thirteen clubs, four have ratings of BBB or lower.

Banks and custodians are in line with the guidelines with a credit rating of at least A/stable, except from minor amounts that have ratings of BB, in addition to not rated petty cash.

The Group also has counterparty default risk over-the-counter (OTC) financial derivative positions. However, common risk mitigation techniques are exercised to minimise the default risk towards counterparties. The credit risk in respect of receivables is handled by policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

The tables below show the credit risk exposure as at 20 February 2020. Assets are classified according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. Top rated assets are denoted with AAA rating and US long-term sovereign credit rating is equivalent to a AAA rating due to an applied median approach.

Credit risk exposure in balance sheet

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Interest-bearing securities and funds				
AAA	36,419	0	72,038	0
AA	20,876	19,267	58,553	42,040
A	0	19,013	0	72,481
Not rated	377,021	357,374	1,398,831	1,365,273
Total interest-bearing securities and funds	434,316	395,654	1,529,422	1,479,794
Other financial investments				
A	12	3	35	119
Total other financial investments	12	3	35	119
Reinsurers' share of gross claims reserve				
AA	15,976	16,716	17,098	31,771
A	480,342	463,064	155,296	187,601
B	0	0	0	3,372
BBB	11,052	12,445	54,413	33,586
Not rated	0	54	433	1,205
Total reinsurers' share of gross claims reserve	507,370	492,279	227,240	257,535
Receivables				
AA	0	0	0	1,408
A	31,485	28,046	6,482	41,426
BBB	3,359	15	110	135
Not rated	35,225	34,789	217,346	195,241
Total receivables	70,069	62,851	223,938	238,210
Cash and cash equivalents				
AA	60,423	52,235	125,069	114,319
A	3,435	0	57,983	37,827
B	0	0	0	104
BB	0	0	127	0
Not rated	0	0	10	15
Total cash and cash equivalents	63,858	52,235	183,189	152,265

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Other financial assets presented in balance sheet*				
AA	5,460	0	11,095	0
A	0	11,899	1,895	24,944
BB	453	0	5,910	0
Not rated	19,989	26,292	891	0
Total other financial assets presented in balance sheet	25,902	38,191	19,792	24,944

* Includes loan to subsidiaries and other financial assets.

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Not due	66,655	57,478	192,951	211,502
0-60 days	748	1,343	17,246	12,806
61-90 days	4	825	3,694	2,630
Above 90 days	5,156	5,208	17,217	17,586
Provision for bad debt	(2,494)	(2,002)	(7,171)	(6,313)
Total receivables	70,069	62,851	223,937	238,210

Impaired receivables

As at 20 February 2020 there are impaired receivables in the parent company of USD 2.5 million (20 February 2019 USD 2.0 million) and there are impaired receivables in the consolidated accounts of USD 7.2 million (20 February 2019 USD 6.6 million), related to past due. No collateral is held as security for the impaired receivables, but the receivables can be deducted from future claim payments if any. Impairment allowance is included in 'Other insurance related expenses'.

Analysis of provision for bad debt

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Balance as at the beginning of the period	2,002	1,296	6,313	6,356
Provision for receivables impairment	492	1,213	588	1,397
Receivables written off during the year as uncollectable	(82)	(362)	768	(624)
Unused amounts reversed	82	(144)	(498)	(805)
Exchange adjustment	0	0	0	(11)
Balance as at the end of the period	2,494	2,002	7,171	6,313

The creation and release of provisions for impaired receivables has been included in 'Other insurance related expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Liquidity risk

The risk that cash and other liquid assets are insufficient to meet financial obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. Liquidity risk arises primarily due to the unpredictability of the timing of payment of insurance liabilities and the illiquidity of the assets held or when market depth is insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount. The risk is mitigated through a cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransegården that improves access to liquidity across the legal entities.

Maturity profile

The following tables set out the maturity profile of liabilities combining amounts expected to be recovered within one year, between one and five years and more than five years.

The Gard group maintains highly marketable financial investments and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. This, combined with the cash pool to meet liquidity needs, gives a presentation of how assets and liabilities have been matched.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 15 - Financial risk continued

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.20 Total
Gross claims reserve	254,660	498,328	93,087	0	846,075
Payables and accruals	69,545	0	0	0	69,545
Other payables	111	0	0	0	111

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.19 Total
Gross claims reserve	276,132	487,384	83,430	0	846,945
Income tax payable	991	0	0	0	991
Payables and accruals	75,779	0	0	0	75,779
Other payables	67	0	0	0	67

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.20 Total
Gross claims reserve	449,986	804,155	126,983	0	1,381,124
Income tax payable	13,628	0	0	0	13,628
Payables and accruals	76,955	0	0	0	76,955
Other payables	9,799	0	0	0	9,799

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.19 Total
Gross claims reserve	486,294	808,776	114,575	0	1,409,646
Income tax payable	6,903	0	0	0	6,903
Payables and accruals	94,449	0	0	0	94,449
Other payables	11,272	0	0	0	11,272

Note 16 - Pensions

Accounting policy

The Gard group operates various pension schemes and employees are covered by pension plans, which comply with local laws and regulations in each country in which the group operates. The companies have a defined contribution plan and a closed defined benefit plan.

Pension obligations

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a straight-line earnings method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in technical result.

For defined contribution plans, the companies pay contributions to privately administered pension insurance plans on a contractual basis. The companies have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pensions

The companies have entered into pension contracts with some former and current employees. These contracts are mainly financed directly through the companies operations. The subsidiaries have entered into various pension plans with both former and present employees.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 16 - Pensions continued

The companies have collective pension agreements in place in accordance with the Norwegian Pension Act. As of 31 December 2015 the defined benefit plan was terminated for active employees, with the option for employees born in or before 1954 to remain in the previous defined benefit plan. All other active employees have been transferred to a defined contribution plan with effect of 1 January 2016, with contribution levels of 7 per cent from 0 – 12 G, and an additional 18.1 per cent from 7.1 – 12 G. G is a base rate used as the basis for calculating benefits. G is adjusted annually and is approved each year by the Norwegian parliament. The last time G was updated was in May 2019. As of 20 February 2020 G equals NOK 99,858 (USD 10,731). Retired and disabled employees were not subject to change and remain in the defined benefit plan. All employees hired after February 2009 are covered by the new levels in the defined contribution scheme.

The contribution plan as of 1 January covers a total of 365 employees, including four of the employees who made the active choice to be transferred. In the defined contribution plan six employees are disabled.

In relation to the defined benefit plan, 10 employees born in 1954 or earlier remain active members, 12 are partly or wholly disabled, 5 are active with flexible pension withdrawals and 76 are retired.

In addition to the collective agreement, all employees can apply for a tariff based lifelong retirement pension (AFP) which the employee may start to draw from the age of 62. The AFP pension is partially financed by Gard AS.

The closed pension scheme for part of the Group Leadership Team, which provides coverage for an amount above 12 G as well as early retirement, is secured by an agreement with Norsk Tillitsmann Pensjon/Nordic Trustee. The obligation is secured through a pledge deposit on a bank account owned by Gard AS. The same solution is in place with respect to a compensation agreement for GLT members being transferred from the defined benefit plan to the defined contribution plan with effect from 1 January 2016.

For the defined benefit pension plan actuarial calculations are made with regard to pension commitments and funds at year end and resulting changes in pension obligations are charged to the income statement and other comprehensive income. Pension costs and pension liabilities have been accounted for in accordance with IAS19.

Pension cost and pension liability has been accounted for in accordance with IAS19.

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Pension cost				
Defined benefit pension plans				
Pension benefits earned during the year	40	53	1,497	1,707
Interest expense on earned pension	17	17	1,483	1,468
Yield on pension funds	0	0	(643)	(644)
Net pension cost earning related plan	58	71	2,338	2,531
Defined contribution pension plan	0	0	6,211	6,216
Total pension cost charged to the Statement of comprehensive income	58	71	8,549	8,747
Changes in pension assumptions charged to Other comprehensive income				
Change in pension assumptions	(44)	(23)	(862)	(420)
Income tax related to change in pension assumptions	0	0	205	99
Liabilities according to the actuarial calculations				
Pension obligation gross	(1,244)	(1,231)	(61,228)	(64,098)
Pension funds at market value	0	0	26,612	27,829
Net pension obligation at the end of the year	(1,244)	(1,231)	(34,615)	(36,270)
Changes in pension funds at market value				
Fair value of assets at the beginning of the year	0	0	30,513	30,544
Expected return on plan assets	0	0	643	644
Actuarial gains or losses	0	0	276	(554)
Employer contribution	0	0	1,274	1,220
Benefits paid	0	0	(1,286)	(1,341)
Fair value of assets at the end of the year	0	0	31,420	30,513

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 16 - Pensions continued

Financial assumptions	Per cent	Per cent	Per cent	Per cent
Discount rate	2.30	2.60	2.30	2.60
Assumed annual salary regulation	2.25	2.75	2.25	2.75
Assumed pension increase	1.50	1.50	1.50	1.50
Assumed regulations of public pensions	2.00	2.50	2.00	2.50
Assumed yield on funds	2.30	2.60	2.30	2.60
Actual yield on funds	6.10	0.90	6.10	0.90

Note 17 - Receivables from direct insurance operations

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Direct and received premium	14,616	11,066	31,214	20,685
Direct and received premium through broker	0	0	95,736	87,186
Accrued last instalment	(34)	24,590	(35)	38,045
Not closed premium	181	123	45,559	36,963
Claims related debtors, co-insurers	0	0	24,085	27,316
Provision for bad debts	(2,494)	(2,002)	(4,119)	(3,465)
Receivables from direct insurance operations	12,269	33,778	192,440	206,730

Note 18 - Other receivables and other payables

Amounts in USD 000's	Parent company		Consolidated accounts	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Other receivables				
Other receivables	0	1	1,548	1,520
Other receivables from subsidiaries	1,848	0	0	0
Loan to employees	0	0	21,797	21,538
Total other receivables	1,848	1	23,345	23,058
Other payables				
Other payables	111	67	9,799	11,272
Total other payables	111	67	9,799	11,272

Note 19 - Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash in hand and deposits held at call with banks, brokers and fund managers. In the balance sheet, cash and cash equivalents that relate to investment management is presented as other financial investments. All other cash is presented as cash and cash equivalents. In the cash flow statement, cash and cash equivalents do not include cash and cash equivalents presented as other financial investments.

Cash and cash equivalents

Cash and cash equivalents include restricted cash amounting to USD 28.0 million as at 20 February 2020 (USD 26.9 million as at 20 February 2019). The Company has a group account agreement and participates in a cash pool agreement. Both agreements are made with the Company's main bank, Nordea Bank Abp filial i Norge. The group account agreement implies that the Company can make overdrafts on individual bank accounts as long as the Company's total bank deposit is positive. The cash pool agreement secures efficient use of the operating bank deposits through the companies' opportunities to make use of the overdraft facility on individual bank accounts. Each company participating in the cash pool agreement is jointly liable for the overdraft facility through unsecured guarantees.

The Company has no bank credit facility as at 20 February 2020. As at 20 February 2019, the Company had an credit facility of USD 40 million.

GARD P. & I. (BERMUDA) LTD.

NOTES TO THE ACCOUNTS

Note 20 - Statutory reserve

Gard P. & I. (Bermuda) Ltd. is registered under and regulated by the Insurance Act 1978 and the regulations. Under these regulations the Company is required to maintain USD 250,000 in statutory capital and surplus. The Company is under the supervision of the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. Gard P. & I. (Bermuda) Ltd. maintained a statutory reserve of USD 462,500 and all regulatory requirements are complied with as at 20 February 2020.

The Company is a member of the property and casualty insurance companies guarantee scheme. The purpose of the scheme is to ensure payments to assured and third parties, pursuant to the Norwegian Act on Bank Contingency Scheme and Insurance Companies' Guarantee Scheme of 1996 no. 75. Provision shall be made for payment of 1 per cent of gross premium relevant to the scheme.

Note 21 - Statutory and regulatory requirement

Gard P. & I. (Bermuda) Ltd. including subsidiaries have operations which are subject to laws and regulations in the jurisdictions in which they operate, of which the most significant ones are Bermuda and Norway. The statutory capital and surplus in Bermuda and Norway as at 20 February 2020 and 2019 was as follows:

Amounts in USD 000's	Parent Bermuda (a)		Regulated by Bermuda (b)		Regulated by Norway (c)	
	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19	As at 20.02.20	As at 20.02.19
Required statutory capital and surplus	250	250	81,104	233,138	379,039	349,319
Actual capital and surplus	971,996	956,885	662,369	624,165	479,944	459,095

(a) As a Class 2 company, Gard P. & I. (Bermuda) Ltd. is required to maintain minimum statutory capital and surplus equal to the Minimum Solvency Margin ("MSM").

(b) The Company's Bermuda based insurance subsidiaries are required to maintain minimum statutory capital and surplus equal to the greater of a Minimum Solvency Margin ("MSM") and the Enhanced Capital Requirement ("ECR"). The ECR is equal to the higher of each insurers' MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for the relevant insurers for the year ended 20 February 2020 will not be filed with the BMA until June 2020. As a result, the required statutory capital and surplus as at 20 February 2020, as set out above, is based on the MSM of all relevant insurers, whereas the required statutory capital and surplus as at 20 February 2019 is based on the MSM and ECR where applicable for all relevant insurers. Required statutory capital and surplus includes Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard Re, Safeguard Guarantee Company Ltd. and Hydra Gard Cell.

(c) Gard P. & I. (Bermuda) Ltd., Norwegian branch, Gard Marine & Energy Limited, Norwegian branch, Assuranceforeningen Gard - gjensidig - and Gard Marine & Energy Insurance (Europe) AS are required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The statutory capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and Assuranceforeningen Gard - gjensidig - include supplementary calls based on gross written premium for the last three open policy years. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Services Authority (Finanstilsynet) until May 2020. As a result, preliminary figures are included as at 20 February 2020.

Statutory capital and surplus and actual capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and Gard Marine & Energy Limited, Norwegian branch are included in both (a) and (c).

Note 22 - Events after the reporting period

Events after the reporting period that do not affect the group's financial position at the end of the reporting period, but which will affect the financial position in the future – COVID 19

On 11 March 2020, the World Health Organization named the COVID-19 virus as a pandemic, following which, inter alia, many global financial markets experienced heavy losses due to the uncertainty surrounding the world-wide spread of the virus. The situation is monitored closely, not only the development of the market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. The management are taking steps to manage the adverse financial and operational effects.

GARD P. & I. (BERMUDA) LTD.

AUDITOR'S REPORT

To the Members of Gard P. & I. (Bermuda) Ltd.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gard P. & I. (Bermuda) Ltd., which comprise:

- The financial statements of the parent company Gard P. & I. (Bermuda) Ltd., (the "Company"), which comprise the balance sheet as at February 20, 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies, and
- The consolidated financial statements of Gard P. & I. (Bermuda) Ltd., and its subsidiaries (together the "Group"), which comprise the balance sheet as at February 20, 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion:

- The accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at February 20, 2020, and of its financial performance and its cash flow for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.
- The accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at February 20, 2020, and of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements of the Company and the consolidated financial statements of the Group in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report (but does not include the financial statements of the Company and the consolidated financial statements of the Group and our auditor's report thereon).

Our opinion on the financial statements of the Company and the consolidated financial statements of the Group does not cover the other information identified above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company and the consolidated financial statements of the Group, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or the consolidated financial statements of the Group or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (together "Management") are responsible for the preparation of the financial statements of the Company and the consolidated financial statements of the Group that give a true and fair view in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance, and for such internal control as Management determines is necessary to enable the preparation of financial statements of the Company and the consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company and the consolidated financial statements of the Group, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, both the Company's and the Group's.

GARD P. & I. (BERMUDA) LTD.

AUDITOR'S REPORT CONTINUED

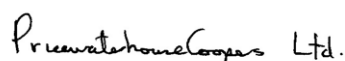
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company and the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Company and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd.
Chartered Professional Accountants



Hamilton, Bermuda
May 11, 2020

KEY FINANCIALS GARD GROUP

2010 – 2019

Amounts in USD millions, ETC basis	2011	2012	2013	2014	2015	2016	2017	2018	20 February	
									2019	2020
Gross written premium	792	855	884	959	991	911	824	775	798	874
Earned premium for own account	678	700	712	764	842	764	707	626	619	656
Claims incurred for own account	-533	-595	-600	-643	- 631	-532	-493	-479	-537	-586
Operating expenses net	-101	-92	-122	-97	- 110	-99	-94	-90	-145	-83
Result on technical account	44	13	-10	24	101	133	120	59	-61	-10
Result on non-technical account	141	49	113	76	23	-54	104	144	-9	118
Net result before tax	185	62	103	100	124	79	224	203	-70	108
Tax	-9	-11	-5	-11	- 6	-8	-8	-9	19	-13
Total comprehensive income	176	51	98	89	87	86	215	193	-53	93
Changes in last instalment*	-28	-14	-31	-35	-37	-37	-89	-79	-37	-72
Combined ratio (ETC-basis)	94%	98%	101%	97%	88%	83%	83%	91%	110%	102%
Equity	790	826	895	920	969	1,017	1,135	1,249	1,159	1,179

* Net of commission.

GARD P. & I. (BERMUDA) LTD.

POLICY YEAR ACCOUNTS

Amounts in USD 000's		Consolidated accounts	
Policy year	2019	2018	2017
Premiums and calls			
Premiums	436,370	441,681	462,007
Additional calls debited	4,692	41,009	2,627
Estimated last instalment	373	0	0
Total premiums and last instalment	441,435	482,690	464,634
Reinsurance premiums	(99,964)	(105,233)	(105,383)
Net premium earned	341,471	377,457	359,251
Incurred claims net			
Claims paid	136,735	199,137	246,123
Estimates on outstanding claims	198,116	200,331	88,307
IBNRs	79,363	13,211	4,071
Unallocated Loss Adjustment Expenses	7,077	7,183	2,429
Incurred claims net	421,291	419,862	340,930
Acquisition cost and net operating expenses	38,831	102,190	45,490
Technical result	(118,651)	(144,595)	(27,169)

Notes to the consolidated policy year accounts

- 1 Premiums, supplementary calls, reinsurances and claims are credited/charged to the policy year to which they relate. Operating expenses are charged/credited to the same policy year as the financial year in which they are brought to account.
- 2 The annual accounts include a full reduction of the last instalment levied for the 2019 policy year. The original estimate for the year was 20 per cent.
- 3 The approximate additional premium of 10 per cent from a supplementary call on the open policy years would be:
 - 2017 policy year USD 31.5 million
 - 2018 policy year USD 30.7 million
 - 2019 policy year USD 36.9 million
- 4 Incurred claims net comprises claims paid net of reinsurance recoveries, together with contributions to other P&I associations under the Group Pooling arrangement and net estimates for outstanding and unreported claims. Estimates on outstanding claims refer to those incidents which have been notified to the Association (RBNS) and on which estimates of the expected exposure have been placed. Incurred but not reported claims (IBNRs) have been calculated on a basis approved by the Company's actuary.

Due to the characteristics of P&I claims, both RBNS and IBNR, in particular in respect of the more recent years, may change substantially.
- 5 Provision for outstanding and unreported claims for closed years before policy year 2017, USD 294.1 million, consists of estimated outstanding claims in the amount of USD 248.8 million and estimates for IBNR claims of USD 45.4 million.

AVERAGE EXPENSE RATIO (AER) – P&I

In accordance with Schedule 3 of the International Group Agreement 1999 the group is required to disclose the AER for the group's P&I business for the five years ended 20 February 2020. The ratio of 12.81 per cent (13.04 per cent last year) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements.

The five year AER for the group's P&I business expresses the operating costs on a consolidated basis as a percentage of the relevant premiums and investment income earned. Operating costs of the P&I business exclude all claims handling costs. Investment income earned is stated after deducting all investment management costs. Internal claims handling and internal investment management costs include a reasonable allocation for general overhead expenses.

GARD P. & I. (BERMUDA) LTD.

NOTICE OF AGM

To: The Members of Gard P. & I. (Bermuda) Ltd.

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of Gard P. & I. (Bermuda) Ltd. (the "Company") will be held on Wednesday, 1 July 2020 at the offices of its Manager, Lingard Limited, Trott & Duncan Building, 17A Brunswick Street, Hamilton HM 10, Bermuda at 12:00 noon or as soon thereafter as possible, for the following purposes:

AGENDA

1. To appoint a Chairman and a Secretary of the Meeting.
2. To read the Notice calling the Meeting and to confirm that a quorum is present.
3. To consider the Minutes of the 2019 Annual General Meeting of the Company held on 20 June 2019.
4. To receive the Auditor's report and Financial Statements for the year ended 20 February 2020.

5. a) To elect Directors and Alternate Directors;
b) To authorise the Directors to fill any vacancies on the Board;
c) To authorise the Directors to appoint Alternate Directors; and
d) To determine the remuneration of the Directors and the Alternate Directors.
6. To elect members of the Election and Governance Committee.
7. To appoint Auditors for the financial year to 20 February 2021.
8. To ratify and confirm the actions of the Directors and Officers of the company in relation to the Company duties.

By order of the Board of Directors

11 May 2020

Graham W. Everard
Secretary

MEETING DATES

AGM

Thursday 20 June 2019, Bermuda

Board of Directors

Saturday 11 May 2019, Bermuda

Monday 13 May 2019, Bermuda

Thursday 20 June 2019, Bermuda

Tuesday 5 November 2019, Amsterdam

Wednesday 6 November 2019, Amsterdam

Executive Committee

Thursday 24 January 2019, London

Monday to Wednesday 8-10 April 2019, Copenhagen

Saturday 11 May 2019, Bermuda

Thursday 20 June 2019, telephone

Thursday 5 September 2019, Arendal

Wednesday 25 September 2019, Hamburg

Tuesday 5 November 2019, Amsterdam

Audit Committee

Wednesday 23 January 2019, London

Friday 5 April 2019, telephone

Friday 10 May 2019, Bermuda

Thursday 20 June 2019, telephone

Monday 23 September 2019, telephone

Monday 4 November 2019, Amsterdam

Thursday 19 December 2019, telephone

GARD P. & I. (BERMUDA) LTD.

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Morten W. Høegh, Chairman	Leif Høegh (UK) Ltd., London
Michael Lykiardopulo, Deputy Chairman	Neda Maritime Agency Co Ltd, Piraeus
Aristidis Alafouzou	Kyklades Maritime Corporation, Piraeus
Nils Aden	V. Ships (Germany) GmbH, Hamburg
Yngvil Åsheim	BW Maritime, Singapore/Oslo
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
Ian Blackley	International Seaways Inc., New York
Kuo-Hua Chang	Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen	Oslo
Timothy C. Faries	Bermuda
Costas Gerapetritis	Navios Shipmanagement Inc., Piraeus
Carl Johan Hagman	Stena Rederi AB, Gothenburg
Herbjørn Hansson	Nordic American Tankers Limited, Bermuda
Jarle Haugsdal	Kristian Gerhard Jebsen Group Limited, Bergen
Kenneth Hvid	Teekay Shipping (Canada) Ltd., Vancouver
Craig Jasienski	Wallenius Wilhelmsen ASA, Oslo
Stephen Knudtzon	Oslo
Jason Liberty	Royal Caribbean Cruises Ltd, Miami
Halvor Ribe	J.J. Ugland Companies, Grimstad
Callum Sinclair	Berge Bulk, Singapore
Rajalingam Subramaniam	AET Group, Singapore
Jane Sy	Stolt Tankers B.V., Rotterdam
Takaya Uchida	Meiji Shipping Co. Ltd., Tokyo
Rolf Thore Røppestad, President	Arendal

Executive Committee

Trond Eilertsen, Chairman	Oslo
Yngvil Åsheim	BW Maritime, Singapore/Oslo
Nils Aden	V. Ships (Germany) GmbH, Hamburg
Jane Sy	Stolt Tankers B.V., Rotterdam
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
Carl Johan Hagman	Stena Rederi AB, Gothenburg
Rolf Thore Røppestad, President	Arendal

Election & Governance Committee

Morten W. Høegh, Chairman	Leif Høegh (UK) Ltd., London
Kenneth Hvid	Teekay Shipping (Canada) Ltd., Vancouver
Herbjørn Hansson	Nordic American Tanker Limited, Bermuda
Michael Lykiardopulo	Neda Maritime Agency Co Ltd,
Piraeus	

Audit Committee

Ian Beveridge, Chairman	Bernhard Schulte GmbH & Co. KG, Hamburg
Halvor Ribe	J.J. Ugland Companies, Grimstad
Stephen Knudtzon	Oslo

Risk Committee

Morten W. Høegh, Chairman	Leif Høegh (UK) Ltd., London
Ian Beveridge,	Bernhard Schulte GmbH & Co. KG, Hamburg
Yngvil Åsheim	BW Maritime, Singapore/Oslo

Remuneration Committee

Trond Eilertsen, Chairman	Oslo
Craig Jasienski	Wallenius Wilhelmsen ASA, Oslo
Costas Gerapetritis	Navios Shipmanagement Inc., Piraeus



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