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**GARD P. & I. (BERMUDA) LTD**  
**DIRECTORS' REPORT AND FINANCIAL**  
**STATEMENTS 2015**

*for the half year to 20 August 2015*



## HIGHLIGHTS

As at 20 August 2015

<b>GROSS WRITTEN PREMIUM</b> USD MILLIONS, ETC BASIS	<b>782</b>
<b>COMBINED RATIO</b> PER CENT, ETC BASIS	<b>84</b>
<b>RESULT AFTER TAX</b> USD MILLIONS	<b>46</b>
<b>CONTINGENCY RESERVE</b> USD MILLIONS	<b>1,015</b>
<b>ASSETS</b> USD BILLIONS	<b>3.3</b>

# FIVE YEAR COMPARISON

As at 20 February

	2011	2012	2013	2014	2015
<b>Gross written premium</b> USD millions, ETC basis	792	855	884	959	991
<b>Result after tax</b> USD millions	175	51	99	89	87
<b>Combined ratio</b> Per cent, ETC basis	94	98	101	97	88
<b>Contingency reserve</b> USD millions	790	826	895	944	969
<b>Assets</b> USD billions	2.4	2.5	2.6	2.7	2.7

# CEO'S OPERATIONAL REVIEW



**Rolf Thore Roppestad,**  
Chief Executive Officer

I am pleased to report that, for the first six months of the 2015 financial year ending 20 August, Gard reported a strong result after tax of USD 46 million. Our free reserves now stand at USD 1,015 million. This result is a combination of good risk selection, a benign claims environment and a favourable development on prior years. The consolidated technical result across all business areas is a profit of USD 61 million with a combined ratio net of 84 per cent, while the combined non-technical result was a deficit of USD 9 million, reflecting the performance of financial markets of the last six months.

Gross written premium is six percent lower than it was in the same period last year. The marketplace for Marine & Energy is very competitive and pricing softer than it was 12 months ago. At the same time, exposures are decreasing in difficult offshore energy and shipping markets. In P&I, the premiums are more stable, but have been affected by the strengthening of the dollar in the months before and after the February renewal, and the reduction of the IG reinsurance premiums. Our strategy of focussing on three key activities; maintaining our financial strength,

developing our market position and building an efficient global organisation, has helped us to navigate difficult market conditions. Our Members and clients rely on our financial strength to keep them in business when an accident happens, so stability and predictability are the foundations of everything we do.

## Developing our market position

Our premium policy reflects this strategy of steadiness and sustainability, focussing on the underlying strength of our operations over the long term. As with previous years, our premium policy for ordinary P&I business in 2016 will be a technical result target expressed as a combined ratio net, rather than as a general premium increase across the board for all entries. As a result, the Boards have decided that premium adjustments for the 2016 policy year should result in a combined ratio net of approximately 102.5 per cent for P&I Mutual. This corresponds to a general increase of approximately 2.5 per cent in the Advance Call for owners' mutual P&I and 2.5 per cent for mutual FD&D. In practice, running the portfolio at a loss gives our Members an upfront rebate on mutual P&I.

We only ask for the general increase that we need over time, and – when our results and capital position allow – we look to reduce costs for our Members. Over the last ten years, we have returned USD 205 million to our mutual Members.

## An efficient global organisation

We also realise that we must focus very closely on the parts of our offering that we can control, so that we always deliver the best value in the market. This is as much about how we do things as what we do. – investing in the skills and capabilities to meet the needs of our Members and clients.

This year, we have reviewed our underwriting organisation to ensure that we have the right structure in place to meet the challenges of the next renewal season and a highly competitive underwriting environment. As a result, we have created three new roles; Chief Underwriting Officers (CUOs) for the

Shipowners and Industry segments (Specialty) and for Asia, all reporting to Group Chief Underwriting Officer.

We have agreed goals for 2020, and long term growth is a key part of our strategy. This is not however about being large for the sake of being large – but having the scale to deliver the service and products that our Members and clients need, as well as the systems and capabilities that they value. The creation of these new roles means that we have the right people in the right place to help us meet those goals. This is a vital component of being a successful company. Looking forward

So far 2015 has delivered a good performance. We are well-positioned to meet future challenges: we have a strong offering relative to our peers; a sound insurance portfolio; and we are well-capitalised to help our Members and clients manage their risks. However, as previous years have shown, we need to be prepared for the worst that the winter and other events can throw at all of us.

**Rolf Thore Roppestad**  
CEO

# GARD P. & I. (BERMUDA) LTD.

## Summary consolidated income and expenditure accounts

Amounts in USD 000's	21.02.15 to 20.08.15	21.02.14 to 20.08.14
Premium earned gross*	466,724	488,381
Earned premium for own account	389,842	409,069
Other insurance related income	227	357
Claims incurred for own account	277,953	268,251
Operating expenses	51,433	51,257
<b>Technical result before change in contingency reserve</b>	<b>60,684</b>	<b>89,918</b>
<b>Change in the contingency reserve</b>	<b>46,092</b>	<b>128,706</b>
<b>Technical result</b>	<b>14,593</b>	<b>(38,787)</b>
<b>Result on non-technical account</b>	<b>(14,593)</b>	<b>38,787</b>
<b>Net result</b>	<b>0</b>	<b>0</b>
<b>Combined Ratio Net (CRN)</b>	<b>84%</b>	<b>78%</b>

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

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

## Summary consolidated balance sheet

Amounts in USD 000's	As at 20.08.2015	As at 20.02.2015
Investments at market value	2,158,911	2,171,914
Reinsurers' share of technical provisions	292,112	132,330
Cash and equivalents	232,898	101,141
Other assets	587,105	341,904
<b>Total assets</b>	<b>3,271,026</b>	<b>2,747,289</b>
Gross unearned premium reserve	471,777	156,857
Gross provision for outstanding and unreported claims	1,475,051	1,379,308
Contingency reserve	1,014,744	968,590
Other liabilities	309,454	242,534
<b>Total equity and liabilities</b>	<b>3,271,026</b>	<b>2,747,289</b>

# GARD P. & I. (BERMUDA) LTD.

## Income and expenditure accounts on lines of business

Amounts in USD 000's	21.02.15 to 20.08.15 P&I	21.02.15 to 20.08.15 M&E	21.02.15 to 20.08.15 Consolidated accounts
Premiums earned gross	318,520	148,205	466,724
Premiums earned net	256,892	132,950	389,842
Claims incurred for own account*	191,675	86,278	277,953
Operating expenses	22,574	28,632	51,206
<b>Result on technical account</b>	<b>42,643</b>	<b>18,041</b>	<b>60,684</b>
<b>Result on non-technical account</b>	<b>(15,725)</b>	<b>1,133</b>	<b>(14,592)</b>
<b>Result ordinary operations</b>	<b>26,918</b>	<b>19,174</b>	<b>46,092</b>
<b>Combined ratio net</b>	<b>83%</b>	<b>86%</b>	<b>84%</b>

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

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