
FINANCIAL STATEMENTS 2021

GARD REINSURANCE CO LTD

for the year to 20 February 2021





To the Shareholder of Gard Reinsurance Co Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gard Reinsurance Co Ltd (the "Company"), which comprise:

- The balance sheet as at February 20, 2021, 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 give a true and fair view of the financial position of the Company as at February 20, 2021, 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.
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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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.



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 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 that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company'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 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 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.

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, 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Private Home Cooper Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

May 12, 2021

GARD REINSURANCE CO LTD

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Technical account			
Gross written premium	4, 5	261,276	229,641
Gross earned premium		240,514	220,119
Earned premium for own account	3, 5	240,514	220,119
Gross incurred claims		194,382	179,017
Claims incurred for own account	3, 5	194,382	179,017
Agents' commission		62,961	61,906
Insurance related expenses for own account	3, 6	62,961	61,906
Other insurance related expenses	6	1,294	1,300
Technical result		(18,123)	(22,104)
Non-technical account			
Interest and similar income	7	415	1,776
Change in unrealised gain on investments	9	25,633	45,305
Gain on realisation of investments		17,097	5,797
Other investment expenses		(153)	(124)
Non-technical result		42,992	52,754
Profit before tax		24,869	30,650
Taxation	8	0	0
Total comprehensive income		24,869	30,650

GARD REINSURANCE CO LTD

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.21	As at 20.02.20
Assets			
Investments			
<i>Financial investments at fair value through profit or loss</i>			
Equities and investment funds	9	299,334	319,915
Interest-bearing securities and funds	9, 10	543,006	513,508
Other financial investments	9, 10	5,009	9
Total investments		847,349	833,432
Receivables			
<i>Receivables from reinsurance operations</i>			
Receivables from reinsurance operations - group companies	10, 14	67,153	49,366
<i>Other receivables</i>			
Receivables from group companies	10, 14	0	54
Total receivables	10, 14	67,153	49,420
Other assets			
Cash and cash equivalents	10, 11	416	724
Other financial assets	10	0	457
Total other assets		416	1,181
Prepayments and accrued income			
Accrued income and other prepayments		20,984	16,677
Total prepayments and accrued income		20,984	16,677
Total assets		935,902	900,710

GARD REINSURANCE CO LTD

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.21	As at 20.02.20
Equity and liabilities			
Equity			
Statutory reserve	12	150,000	150,000
Share premium reserve		109,823	109,823
Other equity		149,929	125,060
Total equity		409,752	384,883
Technical provisions			
Gross premium reserve	5	86,805	66,043
Gross claims reserve	5, 10	424,742	416,566
Total technical provisions		511,547	482,609
Payables			
Payables arising out of reinsurance operations - group companies	15	14,532	33,191
Payables to group companies	15	54	0
Total payables	10, 15	14,586	33,191
Accruals and deferred income			
Accruals and deferred income	10	17	27
Total accruals and deferred income		17	27
Total liabilities		526,150	515,827
Total equity and liabilities		935,902	900,710

GARD REINSURANCE CO LTD

Statement of changes in equity

Amounts in USD 000's	Statutory reserve	Share premium reserve	Other equity	Total
Equity as at 21.02.19	150,000	109,823	106,410	366,233
Net result	0	0	30,650	30,650
Dividend	0	0	(12,000)	(12,000)
Equity as at 20.02.20	150,000	109,823	125,060	384,883
Equity as at 21.02.20	150,000	109,823	125,060	384,883
Net result	0	0	24,869	24,869
Equity as at 20.02.21	150,000	109,823	149,929	409,752

GARD REINSURANCE CO LTD

Statement of cash flow

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Cash flow from operating activities		
Profit before tax	24,869	30,650
Change in unrealised (gain)/loss on investments	(25,633)	(45,305)
Financial investments	12,173	17,193
Change in receivables and payables	(36,338)	11,142
Change in technical provisions and other accruals	24,621	(1,663)
Net cash flow from operating activities	(308)	12,017
Cash flow from investment activities		
Dividend paid	0	(12,000)
Net cash flow from investment activities	0	(12,000)
Net change in cash and cash equivalents	(308)	17
Cash and cash equivalents at the beginning of the year	724	707
Cash and cash equivalents at the end of the year	416	724

GARD REINSURANCE CO LTD

Notes to the accounts

Note 1 – Corporate information

Gard Reinsurance Co Ltd (“the Company” or “Gard Re”) is a limited liability company which is domiciled in Bermuda. It is a wholly owned subsidiary of Gard P. & I. (Bermuda) Ltd. (“Gard P&I”) and is registered by the Bermuda Monetary Authority as a Class 3A insurer. Its principal activity is the reinsurance of the risks retained by Gard P&I, Gard Marine & Energy Limited (“Gard M&E”) and Assuranceforeningen Gard – gjensidig (Gard Norway).

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

Gard Re is incorporated under Bermuda Law. The operations and insurance activities of the Company are carried out by its insurance manager, Lingard Limited (“Lingard”). The accounts include the activity from 21 February 2020 to 20 February 2021.

The financial statements have been prepared in accordance with Regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

2.2 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 can change in the future. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly.

2.3 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 retranslated 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 statement of comprehensive income 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 statement of comprehensive income as part of the technical result.

2.4 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.

2.5 Events after the reporting period

New and material information on the Company’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 Company’s financial position at the end of the reporting period, but which will affect the financial position in the future, are disclosed if significant.

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

Accounting policy	Note
Technical result	5
Technical provisions	5
Insurance related expenses	6
Non-technical items	7
Tax	8
Financial Investments	9
Cash and cash equivalents	11

GARD REINSURANCE CO LTD

Notes to the accounts

Note 3 - Intra-group transactions

Reinsurance agreements

Gard Re has entered into reinsurance agreements with Gard P&I and Gard M&E whereby the two direct insurers are ceding 50 per cent of all reinsurance underwritten that is not reinsured elsewhere to Gard Re.

In addition Gard Re and Gard Norway have entered into a stop loss reinsurance agreement protecting Gard Norway.

Intra-group transactions are summarised in the table below.

Amounts in USD 000's	Gard P&I	Gard M&E	Gard Norway	21.02.20 to 20.02.21 Total
Earned premium for own account	110,183	128,331	2,000	240,514
Gross settled claims	110,186	76,021	0	186,207
Change in gross claims reserve	(4,445)	13,908	(1,288)	8,175
Agents' commission	32,517	30,444	0	62,961

Amounts in USD 000's	Gard P&I	Gard M&E	Gard Norway	21.02.19 to 20.02.20 Total
Earned premium for own account	111,479	106,640	2,000	220,119
Gross settled claims	115,246	73,247	0	188,493
Change in gross claims reserve	(4,962)	(3,695)	(819)	(9,476)
Agents' commission	36,173	25,733	0	61,906

Insurance management agreement

Gard Re has appointed Lingard as its Insurance Manager and principal representative in Bermuda. These services are governed by a management agreement entered into between Gard Re and Lingard.

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Norway	2,000	2,000
Bermuda	259,276	227,641
Total gross written premium	261,276	229,641

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

A Member is an owner, operator or charterer (including a bareboat or demise charterer) or a ship entered in the Association who according to the Articles of the Association and the Rules is entitled to membership of the Association. Client is defined as any entity with an active insurance cover from the Gard group of companies that is not in the capacity of a Member (P&I Owner's Entry and Charterer's Entry). Members may also be a client of Gard.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 5 - 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. A 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.

Claims expenses

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

Amounts in USD 000's			21.02.20 to 20.02.21 Total
	P&I	M&E	
Technical result			
Gross written premium	112,374	148,902	261,276
Gross earned premium	112,183	128,331	240,514
Earned premium for own account	112,183	128,331	240,514
Claims incurred, gross			
Incurred this year	121,822	84,824	206,646
Incurred previous years	(17,370)	5,106	(12,264)
Total claims incurred, gross	104,452	89,930	194,382
Reinsurers' share of gross incurred claims	0	0	0
Claims incurred for own account	104,452	89,930	194,382

GARD REINSURANCE CO LTD

Notes to the accounts

Note 5 - Technical result and technical provisions continued

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 statement of comprehensive income.

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 the 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	As at 20.02.21		
	P&I	M&E	Total
Technical provisions gross			
Provisions, at the beginning of the year	308,184	108,382	416,566
Claims paid	(110,186)	(76,020)	(186,206)
Claims incurred - gross this year	121,822	84,824	206,646
Claims incurred - gross previous years	(17,370)	5,106	(12,264)
Provisions, at the end of the year	302,450	122,292	424,742
Reinsurers' share of claims provision	0	0	0
Provisions net, at the end of the year	302,450	122,292	424,742
Provision for unearned premiums, gross	1,512	85,293	86,805
Reinsurers' share of premium provision	0	0	0
Provision for unearned premiums, net	1,512	85,293	86,805
Provision for outstanding claims			
Technical provision gross	302,450	122,292	424,742
Technical provision net	302,450	122,292	424,742

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 ranges between USD 419.9 million and USD 429.4 million.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 6 - Insurance related expenses and number of staff

Accounting policy

Insurance related expenses for own account consist of agent commissions, sales and administrative expenses.

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.

Other insurance related expenses are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Acquisition costs and commissions		
Agents' commission	62,961	61,906
Insurance related expenses for own account	62,961	61,906

Gard Re has no employees.

No salaries or other benefits have been paid to the Board of Directors.

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Net operating expenses		
Service cost (Lingard)	1,275	1,248
Other operating expenses	19	52
Other insurance related expenses	1,294	1,300

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Remuneration auditor		
Auditing fee	18	51
Total auditors' fee	18	51

GARD REINSURANCE CO LTD

Notes to the accounts

Note 7 - Non-technical items

Accounting policy

Total interest and similar income are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Interest and similar income		
Income from financial investments	415	1,776
Total interest and similar income	415	1,776

Note 8 - Tax

Accounting policy

The company is not subject to income tax, however certain withholding taxes may from time to time be deducted from investment income and these are expensed as income tax.

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Income tax expenses		
Paid foreign withheld tax	0	0
Tax expenses ordinary result	0	0

As a company organised under the laws of Bermuda, the Insurer 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 Insurer has received an assurance from the Bermuda government to be exempted from all such taxes until March 28, 2035.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 9 - Financial investments and fair values through profit or loss

Accounting policy

Classification

The company 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 that the Company's management has the positive intention and ability to hold to maturity, other than:

- Those that the Company 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 'Gain on realisation of investments'. Dividends and interest income assets at fair value through profit or loss are 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 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 statement of comprehensive income.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 9 - Financial investments and fair values through profit or loss continued

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.

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 statement of comprehensive income. 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 statement of comprehensive income.

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

Gard Re 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.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 9 - Financial investments and fair values through profit or loss continued

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.

Financial investments in Level 3

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

Amounts in USD 000's	As at 20.02.21				As at 20.02.20			
	Quoted market prices Level 1	Observable market data Level 2	Non observable market data Level 3	Total	Quoted market prices Level 1	Observable market data Level 2	Non observable market data Level 3	Total
Financial investments								
Equities and investment funds	0	248,651	50,683	299,334	0	249,046	70,869	319,915
Interest-bearing securities and funds	45,086	468,227	29,693	543,006	2,625	500,309	10,574	513,508
Cash incl. in other financial investments	5,009	0	0	5,009	9	0	0	9
Total financial investments	50,095	716,878	80,376	847,349	2,634	749,355	81,443	833,432

GARD REINSURANCE CO LTD

Notes to the accounts

Note 9 - Financial investments and fair values through profit or loss continued

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

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 Company possesses only minority interests in quoted companies.

The Company 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	As at 20.02.21
Equity funds			
Gard Global Multifactor Equity Fund	Global Equity	USD	28,437
Gard Global Impact Equity Fund	Global Equity	USD	32,648
Gard Global Equity Fund II	Global Equity	USD	30,467
Gard Emerging Markets Equity Fund	Emerging Market Equity	USD	55,117
Bridgewater Pure Alpha Fund	Global tactical asset allocation	USD	101,982
Phoenix Global Real Estate Fund II	Global real estate	USD	15,754
CBRE Global Real Estate Fund	Global real estate	USD	34,929
Total Equity funds			299,334
Total Equities and investment funds			299,334

The part of Equity fund invested in quoted shares. 146,669

Amounts in USD 000's	Investment profile	Currency	As at 20.02.21
Interest-bearing funds			
Gard Emerging Market Debt Fund	Emerging market debt	USD	53,745
Gard Strategic Global Bond Fund	Global aggregate interest-bearing securities	USD	71,427
Gard Global Bond Fund I	Global aggregate interest-bearing securities	USD	192,358
Gard Global Credit Bond Fund I	Global corporate interest-bearing securities	USD	49,060
Gard Global Treasury Fund	Government debt	USD	127
CQS Credit Fund	Global multi asset credit	USD	101,510
Gard Private Debt Fund	Global private debt	USD	29,693
Northern Trust Cash Fund	Money market US Dollar	USD	45,086
Total Interest-bearing funds			543,006
Total Interest-bearing securities and funds			543,006

GARD REINSURANCE CO LTD

Notes to the accounts

Note 10 - 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

The Covid-19 pandemic situation was monitored closely throughout 2020, not only the development of market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. During the year, management took steps to manage the adverse financial and operational effects as events unfolded, with satisfactory results as the year came to an end. Future challenges due to Covid-19 might arise, however the experience from the previous year will strengthen the risk management going forward.

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 of investments due 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 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.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 10 - Financial risk continued

The table below splits the balance sheet into the major currencies.

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.

Currency split balance sheet

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Assets		
USD	935,902	900,710
Total assets	935,902	900,710
Equity and Liabilities		
USD	935,902	900,710
Total equity and liabilities	935,902	900,710
Net asset exposure		
USD	0	0

Financial instruments - sensitivity analysis

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

	As at 20.02.21	As at 20.02.20
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(14,673)	(13,552)
Impact on fixed income portfolio investments given an increase of 50 basis points	(8,904)	(11,126)
Impact on alternatives portfolio given a 10 per cent drop NAV	(10,198)	(11,369)
Impact on real estate portfolio given a 10 per cent drop in NAV	(5,068)	(7,087)
Impact on total investment portfolio given a change of 10 percent in foreign exchange rates against USD	(20,869)	(23,584)

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 Company 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.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 10 - Financial risk continued

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/interest-bearing securities 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.

Counterparty default risk

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

Banks and custodians are in line with the guidelines with a credit rating of at least BB.

The Company 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 2021. 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	As at 20.02.21	As at 20.02.20
Interest-bearing securities and funds		
AAA	45,086	2,625
Not rated	497,920	510,883
Total interest-bearing securities and funds	543,006	513,508
Other financial investments		
A	5,009	9
Total other financial investments	5,009	9
Receivables		
A	67,153	49,420
Total receivables	67,153	49,420

GARD REINSURANCE CO LTD

Notes to the accounts

Note 10 - Financial risk continued

Credit risk exposure in balance sheet continued

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Cash and cash equivalents		
BBB	416	724
Total cash and cash equivalents	416	724

Other financial assets presented in balance sheet

BB	0	457
Total other financial assets presented in balance sheet	0	457

Liquidity risk

The risk that cash resources 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.

Maturity profile

The tables below 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 Company 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.

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	As at 20.02.21 Total
Gross claims reserve	147,538	250,335	26,869	0	424,742
Payables and accruals	14,603	0	0	0	14,603

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	As at 20.02.20 Total
Gross claims reserve	137,839	241,976	36,751	0	416,566
Payables and accruals	33,218	0	0	0	33,218

GARD REINSURANCE CO LTD

Notes to the accounts

Note 11 - 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.

Note 12 - Statutory reserve

Gard Re is registered under and regulated by the Insurance Act 1978 and the regulations. Under these regulations Gard Re is required to maintain a share reserve/share capital of USD 150,000,000. Gard Re is under the supervision of the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. All regulatory requirements are complied with as at 20 February 2021.

Par value is USD 1,000 per share.

All shares have the same rights in the Company.

All shares are owned by Gard P. & I. (Bermuda) Ltd.

The Company is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. as at 20 February 2021 and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company Lingard Limited in Bermuda.

Note 13 - Statutory and regulatory requirement

Gard Re has operations which are subject to laws and regulations in Bermuda.

The statutory capital and surplus in Bermuda as at 20 February 2021 and 2020 was as follows:

	As at 20.02.21	As at 20.02.20
Amounts in USD 000's		
Required statutory capital and surplus	63,711	167,413
Actual capital and surplus	409,752	360,569

Gard Re is required to maintain a 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 MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for Gard Re for the year ended 20 February 2021 will not be filed with the BMA until June 2021. As a result, the required statutory capital and surplus as at 20 February 2021 is based on the MSM, whereas the required statutory capital and surplus as at 20 February 2020 is based on the MSM and ECR.

GARD REINSURANCE CO LTD

Notes to the accounts

Note 14 - Receivables from group companies

Amounts in USD 000's	As at 20.02.21			
	Gard P&I	Gard M&E	Lingard	Total
Accounts receivable	0	1,335	0	1,335
Accounts receivable - premium provision	1,035	64,783	0	65,818
Receivables from group companies	1,035	66,118	0	67,153

Amounts in USD 000's	As at 20.02.20			
	Gard P&I	Gard M&E	Lingard	Total
Accounts receivable - premium provision	931	48,435	0	49,366
Receivables from group companies	0	0	54	54
Receivables from group companies	931	48,435	54	49,420

Note 15 - Payables to group companies

Amounts in USD 000's	As at 20.02.21			
	Gard P&I	Gard M&E	Lingard	Total
Payables arising out of reinsurance operations - group companies	14,532	0	0	14,532
Payables to group companies	0	0	54	54
Payables to group companies	14,532	0	54	14,586

Amounts in USD 000's	As at 20.02.20			
	Gard P&I	Gard M&E	Lingard	Total
Payables arising out of reinsurance operations - group companies	23,324	9,867	0	33,191
Payables to group companies	23,324	9,867	0	33,191