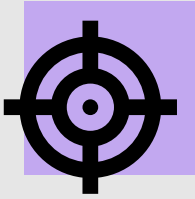


Club financial summary

# Gard

November 2023



# Gard Highlights

20 February 2022 to  
31 December 2022  
financial year\*

## P&I only Income and expenditure summary

P&I premiums increased by approximately 15%\*\*

Gross paid claims reduced by approximately 22%, net incurred claims increased by approximately 5%\*\*

USD 13.6 million P&I underwriting surplus

Owned tonnage increased by 6.5% at 20 February 2023

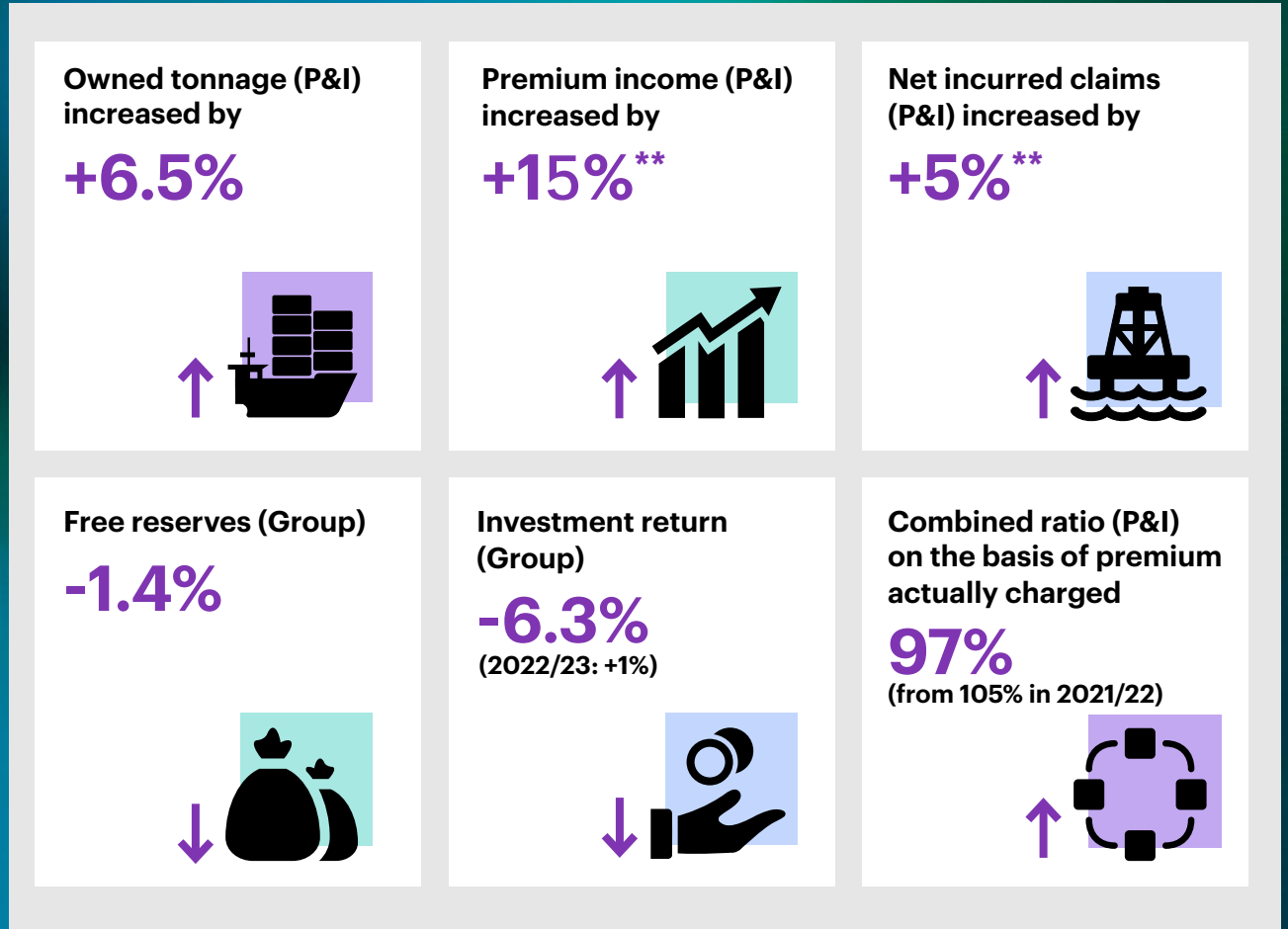
## Gard Group Balance sheet summary

-6.3% negative investment return

Gard Group assets increased by 1% and free reserves reduced by 1.4%

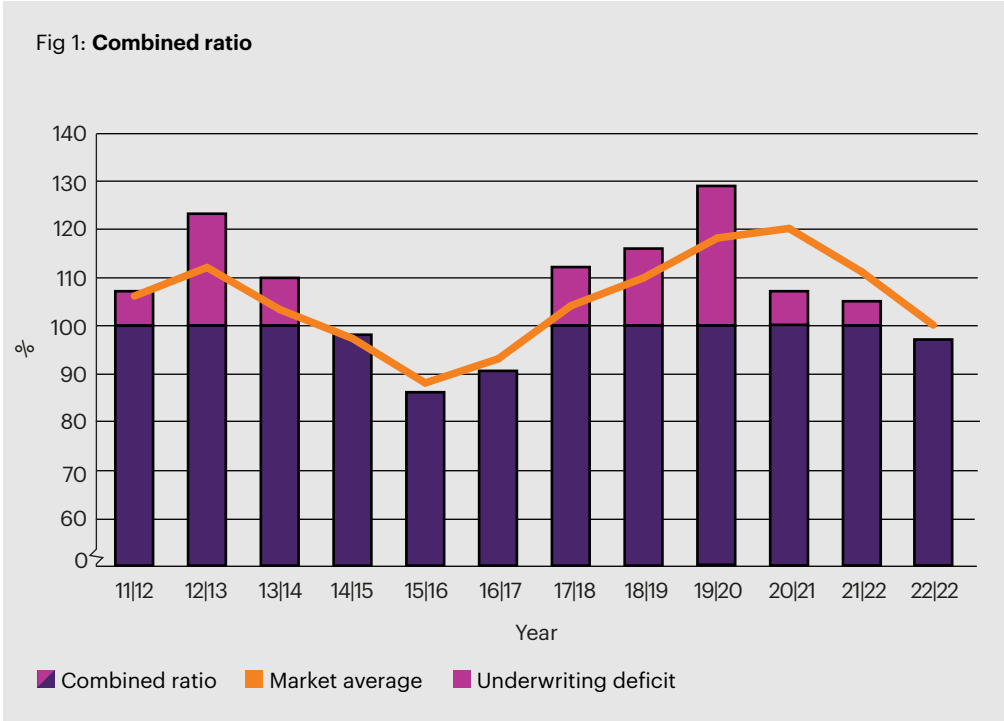
\* Gard changed the group's financial year to coincide with the calendar year instead of running to 20 February. As a result, the latest financial period is shorter, running from 20 February 2022 to 31 December 2022. Comparative figures for previous years have not been adjusted and show the activity for the 12-month period.

\*\* WTW estimate of premium and claims based on pro-rata full year extrapolation.



# Combined ratio

The 2022 P&I combined ratio, on the basis of the premium actually charged, was 97%. Gard returned USD 19.6 million to its members via its Owners General Discount. Had Gard debited on the full estimated total call (ETC) basis, the P&I combined ratio would have been 92%.



The graph above shows the P&I class only, as actually charged (rather than the ETC). Gard's reported P&I underwriting result was a USD 13.5 million surplus.

The Gard Group's reported underwriting result was a USD 130 million surplus (Gard's Marine and Energy book had a very positive 66% combined ratio in 2022/22). Gard Group's ETC underwriting result would have been a USD 149.9 million surplus (a combined ratio of 81%).

## Gard Combined Ratio Summary

Due to Gard's diversified portfolio and premium rebates, direct comparisons with other clubs can be complex. To simplify this, we have summarised below Gard's P&I only combined ratio, their Marine and Energy only combined ratio and the overall Gard Group's combined ratio.

### P&I only, combined ratios

Actually charged (less owner's discount)  
**97%**  
 (improved from 105% in 2021/22)

Original Estimated Total Call (ETC)  
**92%**  
 (improved from 100% in 2021/22)

### Marine and Energy

Combined ratio  
**66%**  
 (improved from 87% in 2021/22)

### Overall, Gard Group, combined ratios

Actually charged (less owner's discount)  
**83%**  
 (improved from 97% in 2021/22)

Original Estimated Total Call (ETC)  
**81%**  
 (improved from 94% in 2021/22)

## Consolidated financials

### Gard P&I only

#### Income and expenditure summary

(USD 000s)	2020/21	2021/22	2022/22
<b>Calls and premiums</b>	<b>519,838</b>	<b>509,959</b>	<b>512,065</b>
Reinsurance premiums	-103,238	-98,687	-104,822
Operating expenses (policy year)	-35,088	-47,716	-46,279
<b>Operating income</b>	<b>381,512</b>	<b>363,556</b>	<b>360,964</b>
Gross paid claims	403,348	480,293	323,331
Net paid claims	n/a	n/a	n/a
Net change in provision for claims	n/a	n/a	n/a
Net incurred claims	412,504	384,323	347,400
<b>Technical surplus (deficit)</b>	<b>-30,992</b>	<b>-20,767</b>	<b>13,564</b>
Investment income	n/a	n/a	n/a
<b>Overall surplus for year (deficit)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

### Gard's basis of disclosure

Gard changed their basis of reporting the P&I class of cover in 2010/11. Gard P&I underwriting results continue to be partially provided, but the club has progressively reduced the amount of information disclosed. Since 2014/15 Gard has only published the combined Gard Group results for net paid claims, net change in the provision for claims, investment return, assets and free reserves (i.e. the combined results for P&I, Marine and Energy).

In the table above we show the Gard P&I class underwriting results to the fullest extent disclosed. We use Gard 'Group' figures for investment income, assets and free reserves on pages 4 and 5.

To provide a meaningful comparison, the figures used in the following financial graphs represent WTW analysts' estimates of solely the P&I proportion Gard's investment income, assets and free reserves.

**Despite a very positive underwriting result, investment losses of USD 148.1 million has the Gard Group reporting an overall USD 17.8 million overall loss**

Fig 2: Underwriting development

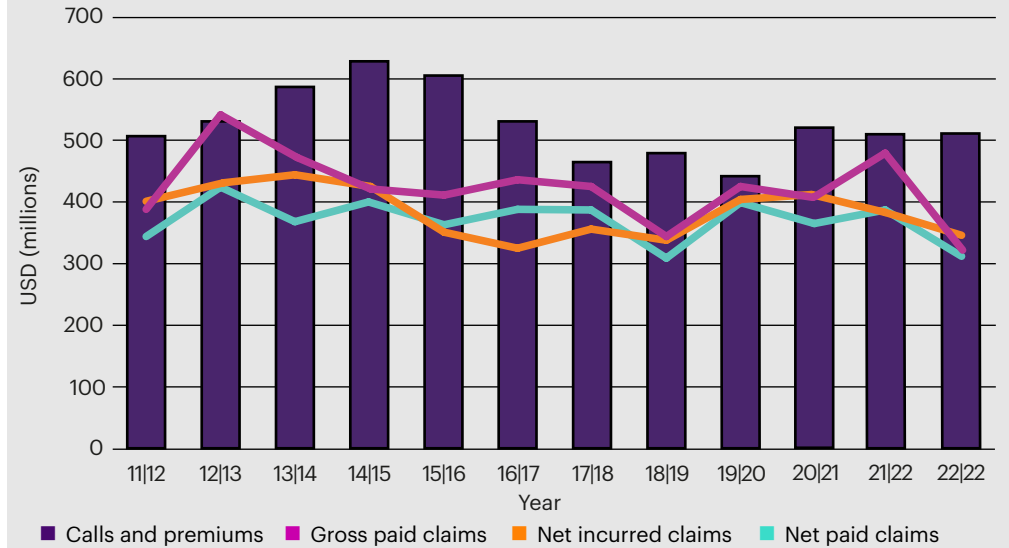
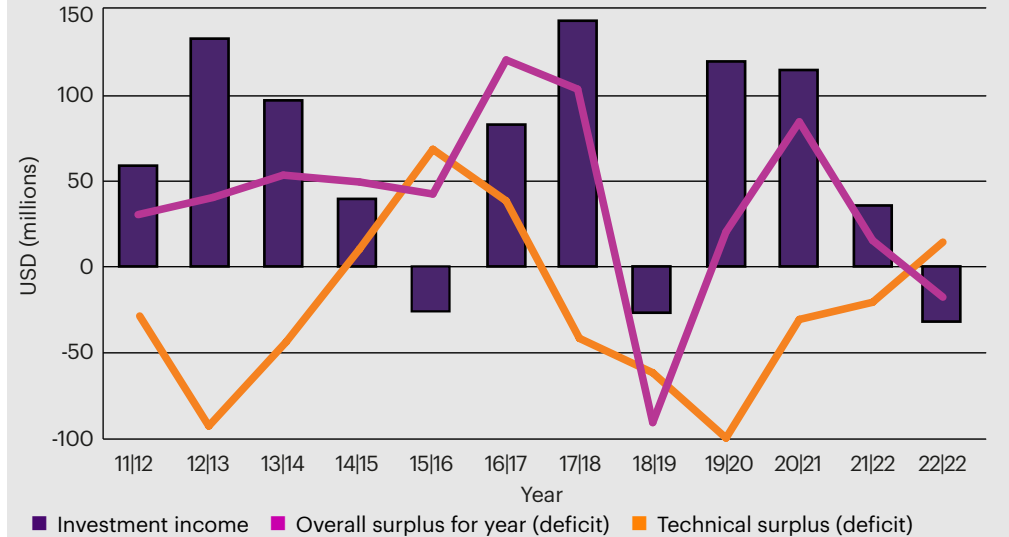


Fig 3: Overall result - including investment income



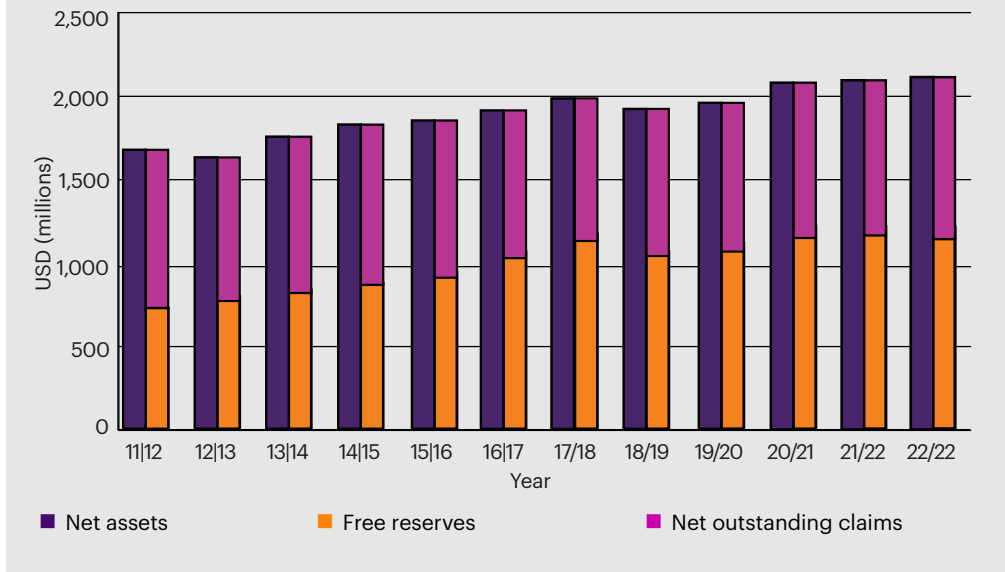
## Consolidated financials

### Gard Group

#### Assets and free reserves

(USD 000s)	2020/21	2021/22	2022/22
Net assets (market)	2,488,724	2,512,214	2,536,617
Net outstanding claims	1,225,804	1,233,933	1,276,166
Free reserves	1,262,920	1,278,281	1,260,451

Fig 4: Assets and free reserves, P&I proportion



## Entered tonnage

(GT, millions)	2021	2022	2023
Owned/mutual	246.0	260.0	277.0
Owned MOU/fixed	15.4	11.0	11.0
Chartered/fixed	95.0	95.0	95.0
<b>Total</b>	<b>356.4</b>	<b>366.0</b>	<b>383.0</b>

S&P Rating	2021	2022	2023
	A+	A+	A+*

\*Stable outlook. Figure is correct at the time of release.

AER (Average Expense Ratio)	2021	2022	2023
Five years ending 20 February	13.5	13.7	14.8

Fig 5: Tonnage split by nationality of management

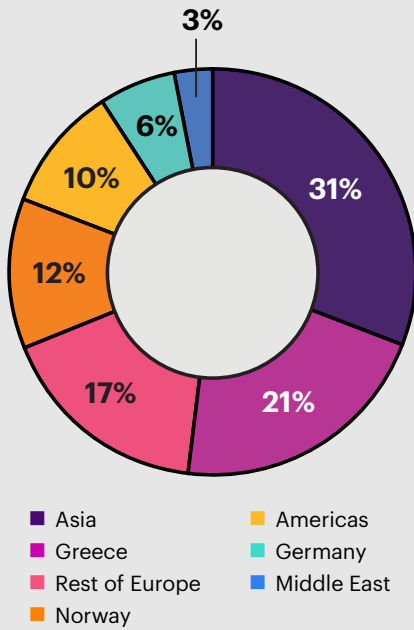
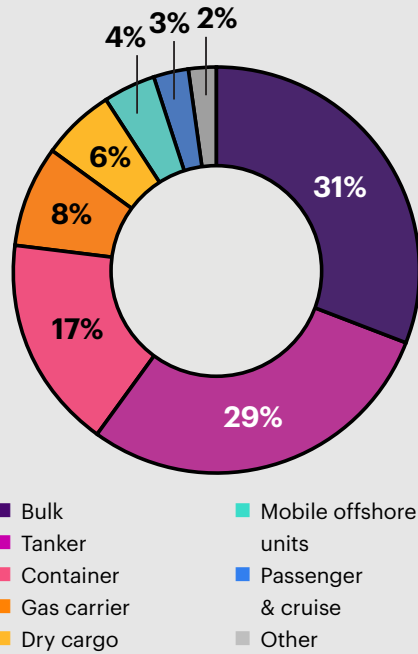


Fig 6: Tonnage split by vessel type



## Glossary

### Combined ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus

### Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of} \quad \frac{\text{Operating costs} \times 100}{\text{(Premium income + investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

### Basis of financial analysis

The main aim in the WTW analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.

### Glossary of terms

<b>Calls and premiums</b>	All calls (gross basis, including brokerage)
<b>Reinsurance premiums</b>	All reinsurance premiums
<b>Operating expenses</b>	All general management, administrative and audit expenses (not including claims management costs)
<b>Operating income</b>	Calls, less reinsurance costs, less expenses
<b>Gross paid claims</b>	Paid gross claims, including pool contributions (including claims management costs)
<b>Net paid claims</b>	Gross paid claims less reinsurance and pool recoveries
<b>Net change in provision for claims</b>	Change in net estimated outstanding claims
<b>Net incurred claims</b>	Net paid claims plus change in provision for claims
<b>Technical surplus (deficit)</b>	Operating income less net incurred claims
<b>Investment income</b>	All investment income, including exchange gains/ losses, tax etc.
<b>Overall surplus for year (deficit)</b>	Incurred technical surplus (deficit), plus investment income
<b>Net assets</b>	Total assets, less creditors, less miscellaneous provisions for taxation etc
<b>Net outstanding claims</b>	Total net estimated outstanding claims
<b>Free reserves (including forecast deferred calls)</b>	Net assets, less outstanding claims

## Contact

### Ben Abraham

D: +44 (0)20 3124 7786

M: +44 (0)7799 415806

E: [ben.abraham@wtwco.com](mailto:ben.abraham@wtwco.com)

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This commentary is based on the source information from Gard P. & I. (Bermuda) Ltd. for the year ending 31 December 2022.

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