



Demonstrating underlying strength in challenging times

Annual Report & Financial Statements for
Through Transport Mutual Insurance Association Limited
For the year ended 31 December 2020

TT CLUB
IS MANAGED
BY **THOMAS
MILLER**

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Directors & Management

CHAIRMAN	
U Kranich ^{3,4,5}	Hamburg
DEPUTY CHAIRMAN	
J Kützel ^{4,5}	Ermewa, Paris
J Callahan ⁴ (retired 26 August 2020)	Nautilus International Holding Corporation, Long Beach
DIRECTORS	
A Abbott	Atlantic Container Line, New York
U Baum ^{1,2,4}	Röhlig Logistics GmbH & Co KG, Bremen
G Benelli ³	Specialist Director - Investment
A Chang (retired 26 October 2020)	Evergreen Group, Taipei
Chang Yen-I (appointed 5 November 2020)	Evergreen Group, Taipei
Chen Xiang	Cosco Shipping Lines Co Ltd, Shanghai
J Chowdhury ⁴ (appointed 26 June 2020)	Through Transport Mutual Services (UK) Ltd, London
M Engelstoff	A P Møller-Maersk, Copenhagen
T Faries ⁴	Appleby, Bermuda
C Fenton ⁴ (appointed 26 June 2020)	Through Transport Mutual Services (UK) Ltd, London
A Fullbrook ³	OEC Group, New York
T Leggett ^{1,2,4}	Specialist Director – Finance
P Levesque (retired 20 January 2020)	Modern Terminals Ltd, Hong Kong
R Murchison	Murchison Group, Argentina
Y Narayan	DP World, Dubai
J Neal	Carrix, Seattle
J Nixon	Ocean Network Express, Singapore
M d'Orey	Orey Shipping SL, Lisbon
J Reinhart	Virginia Port Authority, Norfolk
D Robinson MBE ^{1,2,4}	PD Ports, Middlesbrough
N Smedegaard ⁴	DFDS, Copenhagen
CK Tan	Pacific International Lines (Pte) Ltd, Singapore
S, Tranantasin (appointed 26 June 2020)	RCL Group, Bangkok
S Vernon	Triton International Ltd, Bermuda
E Yao ³ (retired 5 November 2020)	Orient Overseas Container Line Ltd, Hong Kong
Registered Office	Victoria Place, 5 th floor, 31 Victoria Street Hamilton HM10, Bermuda
Company Registration Number	1750
Managers	Thomas Miller (Bermuda) Ltd
Company Secretary	Thomas Miller (Bermuda) Limited Telephone +1 44 1 292 4724
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors 7 More London Riverside, London, SE1 2RT

¹ Through Transport Mutual Insurance Association Limited
(TT Bermuda) Audit & Risk Committee member

² TT Club Mutual Insurance Limited (TTI) Audit & Risk Committee member

³ Investment Committee member

⁴ Through Transport Mutual Insurance Association Limited
(TT Bermuda) Management Committee member

⁵ Nominations Committee member

Financial Highlights 2020

Results for the financial year	2020 US\$000s	2019 US\$000s
Gross earned premiums ¹	220,431	206,178
Brokerage ²	(26,680)	(24,285)
Gross earned premiums, net of brokerage	193,751	181,893
Reinsurance earned premiums ceded ³	(55,303)	(59,519)
Write back of negative goodwill	–	3,625
Investment income and unrealised gains and losses	12,770	22,870
Interest payable and financing costs	(442)	(502)
Exchange losses	(87)	(2,561)
Net claims incurred	(87,125)	(82,893)
Expenses, including taxation ⁴	(50,022)	(55,395)
Overriding commission on reinsurances	7,975	8,503
Surplus on ordinary activities after tax	21,517	16,021

Summary balance sheet	2020 US\$000s	2019 US\$000s
Total cash and investments	523,495	487,815
Other assets ⁵	161,808	145,961
Total assets	685,303	633,776
Gross unearned premiums and claims reserves	(405,587)	(382,249)
Other liabilities ⁶	(32,658)	(25,986)
Total surplus and reserves	247,058	225,541

¹ Gross earned premiums is calculated as the sum of Gross premiums written and Change in provision for gross unearned premiums.

² Brokerage is shown on an earned basis.

³ Reinsurance earned premiums ceded is calculated as the sum of Reinsurance premiums ceded and Change in provision of unearned premiums, reinsurers' share.

⁴ Expenses, including taxation is calculated as Net operating expenses excluding Brokerage and Overriding commissions on quota share reinsurances, plus Tax on ordinary activities for the year.

⁵ Other assets include Land and buildings, Reinsurers' share if technical provisions, Debtors, Prepayments and accrued income, Retirement benefits and similar benefits and Other assets.

⁶ Other Liabilities include Creditors, Accruals and deferred income and the Equity minority interest.

Chairman's Review

When I wrote to you last year, the potential impact of the spread of Covid was becoming clear enough to know that the world faced a serious issue. I would at that time have hoped that a year on I would be commenting on what would no doubt have been a difficult year, but doing so from the perspective of a world that had opened up again to free movement of goods and people.



I am both pleased and relieved to tell you that the Club had a good year and demonstrated its underlying strength in the face of the challenges.

As I write this from my home in Europe, regrettably that is not the case and while the development of vaccines and expedited roll out programmes in a number of parts of the world offer hope for the position to improve, we appear to be some way off a return to normality, however that may emerge. Unless something unexpected now happens, however, the worst of the pandemic might be behind us.

For many this was a difficult year on both a business and personal front, and we should pause and reflect on this. The costs have been substantial, not just economically, but also physically, mentally and emotionally – and are ongoing. We all faced many challenges in the year, the likes of which many of us will not have faced before and hopefully will not face in the future. Despite the concerns that the Board of the Club had in March and April of 2020 – in line with the Boards of many organisations at that time - I am both pleased and relieved to tell you that the Club had a good year and demonstrated its underlying strength in the face of the challenges.

Financial Performance

The net result for the year is a surplus of US\$ 22 million. This result is the product of all those factors that contribute to the Club's overall financial strength performing better than expectations. Retention was at very high levels even measured by the Club's usual high levels. The volumes Members declared were, surprisingly in the light of the environment, positive and new business growth was extremely good. The newer business lines of cargo and subscription lines insurance, written to provide financial support to the Club's mutual book, performed well this year, they added premium volumes and assisted the loss ratio performance.

The Club's experience from previous downturns in trade flows is that the claims environment is often better than expected, and this was the case in 2020. The 2020 claims year itself performed well and claims on prior years met expectations. Operating performance was, as a result of these factors, very good and importantly will prepare the Club well for 2021 and beyond.

Members will appreciate that a major concern in the year was investment performance. As a result of the fall in the equity markets in March, and the instability thereafter, the Board and its Investment Committee dedicated a considerable amount of time to considering how best to manage the Club's investment portfolio. On the one hand the opportunity was there to de-risk the portfolio by reducing the exposure to equities. On the other hand the Club's exposure to equities is low and capital position sufficiently strong to withstand shocks, and without the possible contribution from equities, investment return in the year was forecast to be very low. Additionally the Board was keen to maintain an exposure to equities as part of its long term investment approach and the timing of getting back into this equity class was potentially problematic. Equities are likely to be the performing asset class in the short to medium term.

With this in mind a return of 3.20% which was better than the budget set for the year was both pleasing and a relief. The Board is extremely grateful to the Investment Committee and to the Director with specific responsibility for overseeing investments, Giuseppe Benelli, for their work in guiding the Club through the year. I would also like to thank the Club's Investment Manager.

Chairman's Review

(continued)

On behalf of the Board I would like to thank those staff for their efforts in supporting the Club in what have been challenging times.

Impact of Covid-19

Covid-19 has never been far from the news, or our thoughts through the last 12 months. The Managers' staff, in keeping with all those serving their industries have had to adapt to changing working conditions as the various waves of the pandemic all around the world led to a cycle of tightening and easing of lockdown arrangements. On behalf of the Board I would like to thank those staff for their efforts in supporting the Club in what have been challenging times.

The Club paid a relatively small number of claims that resulted from the pandemic and the measures put in place to mitigate it. Unfortunately in order to remain aligned with the Club's reinsurers the Club had to introduce a pandemic exclusion, in May of the year. This was regrettable and will be kept under review, however it is very important that the Club's reinsurance protection responds to all the risks the Club writes.

Brexit

The Club finally faced the challenge of maintaining service continuity to its European Union Members as the United Kingdom left the EU on 1 January 2021. Arrangements were in place to ensure this happened as seamlessly as was possible and I am pleased to tell you these arrangements have worked well. The Club now uses a subsidiary of the UK P&I Club, a business also managed by Thomas Miller, set up for the purposes of enabling that Club to continue to trade in the EU, UK P&I Club N.V., as a fronting vehicle. For most purposes, Members and their brokers will continue to deal with their pre-Brexit contact at the Club, but of course a relatively small amount of change is required to meet the needs of the fronting company. The levels of service delivered to EEA Members will not be diminished and, as a result of Thomas Miller establishing an office in Rotterdam, the existing TT resource based there, will over time be developed to focus more on EU markets. I thank all those Members impacted by this change for their continuing support for the Club, and I would ask that any feedback on the arrangements be given to the Managers so that they can adapt them as required.

Loss prevention

Impact of Covid-19

Covid-19 has also impacted loss prevention activities. In the light of the pandemic, the Club focused on how best to provide support in respect of the diverse impacts throughout the industry and the membership. A dedicated webpage has sought to draw together resource materials from differing sectors around the globe, as well as compiling risk related observations and specific advice in response to issues raised. The current reality is that the disruptions and evolving work practices are likely to exercise us all for many more months, including supporting the effective distribution of sensitive and indispensable vaccines. The Club will continue to explore the myriad challenges for supply chain stakeholders and provide good practice guidance to mitigate the associated risks.

The enforced remote working practices also have led to increased innovation for the Club. Beyond the wider digital strategy, facing the fact that most 'in person' industry events were cancelled or significantly disrupted, the Club has evolved to deliver webinars on a variety of topics, both for the industry in general and specifically for the membership. The Club continues to host many of its own webinars, as well as participating in virtual events organised by third parties. Of course, the acclaimed monthly newsletter, TT Talk, has been maintained – and now enhanced by the launch of a podcast channel, TT Live, which hosts both TT Talk articles and series of interviews on topical industry issues.

Chairman's Review

(continued)

I am pleased that the team has risen to the challenges of this last year, as well as forging ahead in informing on industry trends and participating in reimagining safety and security at industry, governmental and intergovernmental levels.

Brexit

The localised political tsunami of Brexit undoubtedly has broader consequences in this industry, far beyond the immediate European geography. While the end of the transition period was well publicised, for various reasons including the prolonged trade deal negotiations, Brexit presented the industry with numerous challenges that continue into 2021.

While new systems and processes were developed by different governments across the region and infrastructural changes took place at many ports along the western coast of Europe, granular details of how the existing supply chains would function ran in some cases to the deadline. The Club has again responded proactively in developing a webpage resource focused on assessing the evolving changes, identifying potential risks and considerations and delivering guidance to assist the membership.

Cargo integrity

While happily the succession of significant container ship fires seen in 2019 has not recurred in this last year, the underlying risks have not materially changed. Indeed, the devastating explosion in Beirut and a rash of ro-ro/ car carrier fires have continued to draw attention to the handling and transport of Dangerous Goods. As a result, the Club has maintained a number of initiatives focused specifically on driving significant improvements in cargo declaration and packing.

This included publication, jointly with UK P&I Club, of a revised version of 'Book it right and pack it tight', updated to reflect the IMDG Code, Amendment 39-18, which entered mandatory effect on 1 January 2020. The Club has additionally been active in profiling the continuing blight of misdeclared and undeclared cargos, including exploring digital innovations and participating in industry events.

Further, the Club has continued to drive its broader 'Cargo Integrity' / #Fit4Freight initiative, working as part of the 'Cargo Integrity Group' (CIG), comprising Container Owners Association, Global Shippers Forum, ICHCA and World Shipping Council, leading to publication of 'CTU Code – a quick guide', incorporating a 'Container Packing Checklist'. While that joint work has been widely applauded, it has additionally galvanised outreach efforts to a broad swathe of industry stakeholders as the CIG furthers ambitions to improve safety and certainty of outcome through the global supply chain.

Crime

Theft, freight crime and cybercrime continue to plague the industry. Collaboration with BSI over recent years has delivered heightened awareness of such risks, particularly highlighting the vulnerability of freight during the road transport mode.

Beyond highlighting the risks and identifying appropriate mitigation strategies, the Club is seeking to draw attention to linkages between low-level freight crime and crimes involving deliberateness, sophistication and intrigue, fuelling narcotics, people trafficking and terrorism internationally.

Recognising the diverse impacts of crime, the Club has supported a pilot initiative with 'Motorway Buddy' and a UK Police unit, NaVCIS Freight, to deliver ongoing crime risk information to haulage drivers. This initiative is designed to be scalable and repeatable in other nations.

Conclusion

What is mentioned here and evident throughout the Club's presence in the industry demonstrates the ongoing commitment to its loss prevention activities. I am pleased that the team has risen to the challenges of this last year, as well as forging ahead in informing on industry trends and participating in reimagining safety and security at industry, governmental and intergovernmental levels.

Chairman's Review

(continued)

Directors and Board Committees

The Club's Committees met as scheduled through the year although regrettably these meetings were by video conference from March onwards. I have already mentioned the important work of the Investment Committee in the year. The Audit & Risk Committees of both the TT Bermuda and TTI Boards met regularly in the year and it is right to acknowledge that their agendas have become busier. The regulatory environment in all the jurisdictions in which the Club is licensed has tightened and navigating sanctions rules, including blocking legislation in respect of sanctions, has become more complicated. I thank those Directors that sit on those two Committees for their hard work in the year. The Nominations Committee also met in the year to ensure that the Club's governance ran and could continue to run in the future well. A key responsibility of this Committee is to ensure the Boards and Committees have available to them Directors with the necessary capabilities to undertake the oversight role. Again thank you to my fellow Directors.

There were changes in the year to the Board and Committee structure as a result of Economic Substance legislation in the Club's home jurisdiction, Bermuda and to ensure compliance with governance best practice in the UK. In respect of Bermuda, a Committee of the TT Bermuda Board was created known as the Management Committee, the role of which is to assist the TT Bermuda Board in its responsibilities to oversee the operational activity undertaken in this Club and to assist the Board in setting strategy and developing and executing business planning. This Committee met for the first time in October 2020. A Nominations Committee is being established specifically to serve the TTI Board and this will meet for the first time in March 2021. In addition to these changes, policies have been agreed in the period in respect of the process for appointing chairmen of the Clubs and new Board guidelines for Directors. These changes will ensure the Clubs' governance continues to meet relevant governance requirements.

Four Directors retired from the Board in the year. We reported in last year's Chairman's Review that Peter Levesque had retired in January 2020. Since then, James Callahan retired in August 2020, Anchor Chang retired in October 2020 and Erxin Yao retired in November 2020. Mr Chang was a Director of the Club for four years and I thank him for his contribution to the Board and also thank him and his team for their assistance with arrangements for the Board meeting held in Taiwan during that time. Mr Yao was a Director of the Club for seven years and served as a member of the Investment Committee. He added a tremendous amount of value to the Club during this period, particularly during discussions on investment matters. Mr Callahan deserves a particular mention for his contribution during his 16 years as a Director of the Club. He served as Deputy Chairman of TT Bermuda from 2014 until his retirement from the Board and was also a member of the Nominations Committee from 2013. Mr Callahan's support for me and my predecessors, and his extremely valuable counsel to the Board and to the Managers will be very much missed and we wish him a long and happy retirement.

During the year, the Board welcomed Capt Sutep Tranantasin (Executive Director of Regional Container Lines Public Company Limited) and Chang Yen-I (Chairman of Evergreen Marine Corporation (Taiwan) Ltd) and my Board colleagues and I look forward to working with them both. Charles Fenton and Julian Chowdhury, who were already Executive Directors of TTI were appointed as Executive Directors of TT Bermuda in June 2020 and Tim Leggett, who was already the TT Bermuda Specialist Non-Executive Director for Finance was appointed to the TTI Board in the same role in June 2020. These changes were made to ensure compliance with relevant governance requirements. Josef Küttel was appointed Deputy Chairman of TT Bermuda in November 2020, replicating his existing role for TTI.

Chairman's Review

(continued)

This was a year when the Club really benefited from the support of its Members and the Board is extremely grateful to all Members and their brokers.

There was no change to the Directors' fees paid in the year, with the next review to be carried out in early 2021 for consideration by the membership at the Annual General Meeting in June.

This year the Club Board will meet virtually in March, and it is very much hoped that meetings in person might be possible in Lisbon in June and Bermuda in November.

This was a year when the Club really benefited from the support of its Members and the Board is extremely grateful to all Members and their brokers for this. Insurance markets are reported to be hard in many parts of the world and this is when the Club's commitment to setting premium levels strictly based on Members' claims record and exposure, without an eye on profit for shareholders, is of most benefit. I wish all Members good health and good business in 2021 and hope that the pandemic can be put behind us this year. Finally, thank you to the Club's management team. This was a trying year for many management teams, even if the year ended well. The team did a very good job in managing the Club's affairs in what were at times tumultuous conditions.



U. Kranich
Chairman
29 March 2021

Strategic Report



Gross earned premiums amounted to US\$ 220.4 million which was 6.9% higher than 2019 due to net new business, premium rate increases and member volume growth.

The Directors present herewith their strategic report for the year ended 31 December 2020.

Business review

The principal activities of Through Transport Mutual Insurance Association Limited ("the Club") and its subsidiary, TT Club Mutual Insurance Limited ("TTI") – trading collectively as "TT Club" – during the year were the provision of insurance and reinsurance in respect of the equipment, property and liabilities of its Members in the international transport and logistics industry.

TT Club operates in the UK and the US and through branches in Singapore, Hong Kong and Australia.

Strategy

TT Club's business is the provision of liability and asset insurances and related risk management services to the international transport and logistics industry. It consists of two mutual insurance companies with separate corporate governance arrangements but operating as a single business, and is owned by its policyholder members.

Its business strategy is to provide superior insurance products and claims handling to its policyholder members at a competitive price, whilst maintaining excellent financial security over the long term. Insurance is very much a cyclical business, with premium rates fluctuating in accordance with the supply of capital in the market and with the investment returns available to the owners of that capital. TT Club maintains a conservative investment policy.

TT Club's business model is to outsource the entire management function, including that relating to investment management, to companies within the Thomas Miller Holdings Limited group of companies.

Financial performance, capital strength and solvency

Gross earned premiums amounted to US\$ 220.4 million which was 6.9% higher than 2019 due to net new business, premium rate increases and member volume growth.

The Club has entered into a five year quota share reinsurance agreement with Swiss Re which covers the 2018-2022 policy years. The quota share cession for the 2020 policy year was 20%.

The forecast ultimate loss ratio for the 2020 policy year is 67% which is lower than the 2019 policy year loss ratio of 77% at the same stage due to favourable claims experience. Prior policy year claims development has been lower than expected, resulting in a release of prior year best estimate claims reserves, excluding currency effects, of US\$ 6.7 million (2019: US\$ 9.3 million).

The technical result for 2020, after allowing for the attribution of investment income on the claims reserves, was a surplus of US\$ 16.0 million (2019: surplus of US\$ 5.1 million). The underlying investment return, excluding currency effects, was 3.2%. The non-technical account produced a surplus of US\$ 5.5 million (2019: US\$ 11.0 million), resulting in an overall net surplus after tax of US\$ 21.5 million (2019: US\$ 16.0 million).

Strategic Report

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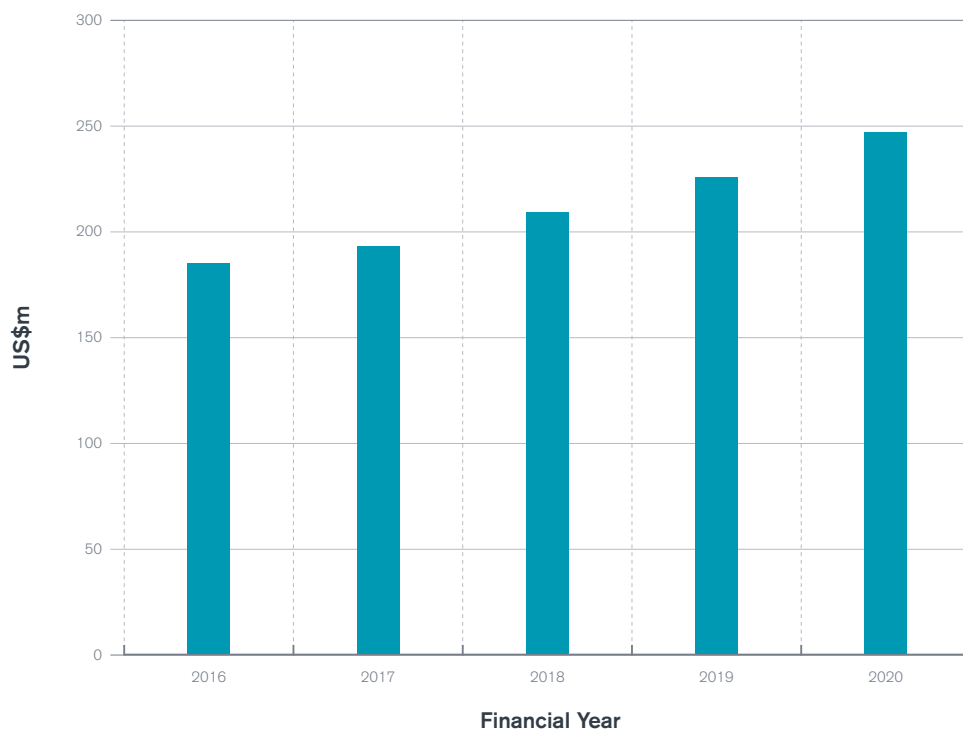
As a result TT Club's surplus, reserves now stand at US\$ 247.1 million (2019: US\$ 225.5 million).

The principal KPIs by which performance is monitored by the Board are detailed below.

1. Financial strength – AM Best rating

TT Club has had a rating of A- (Excellent) since 2006.

2. Capital – surplus and reserves

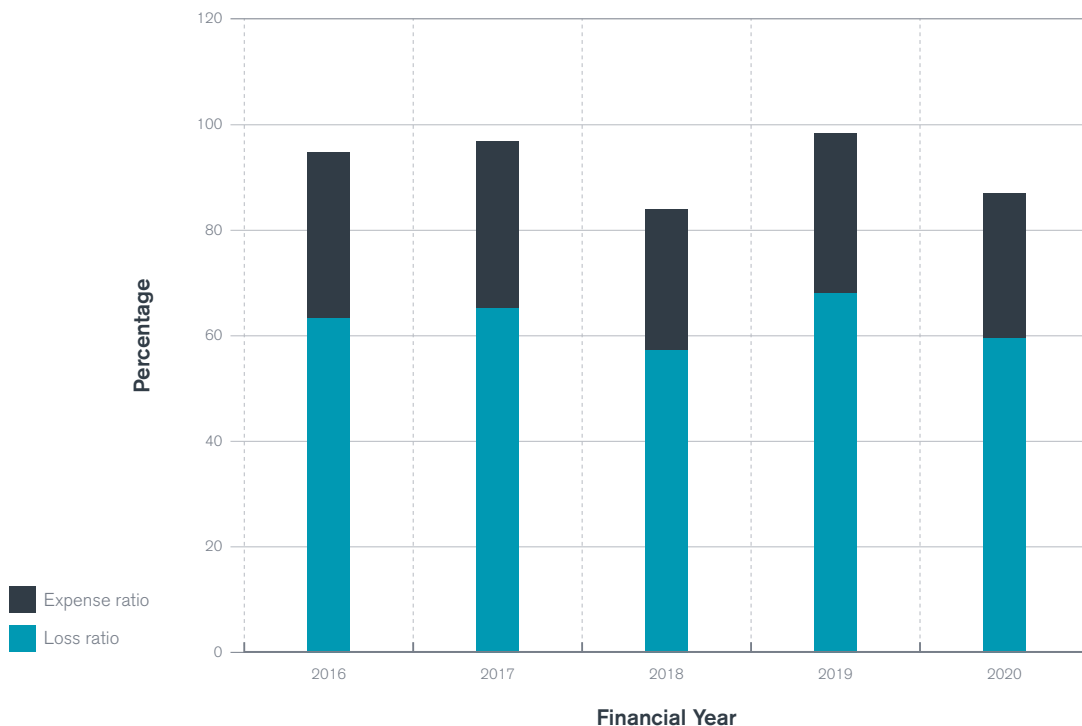


TT Club's financial strategy, approved by the Board, is to maintain within the business sufficient capital to meet regulatory requirements, and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case. The Directors are satisfied that both elements of this strategy have been maintained throughout 2020.

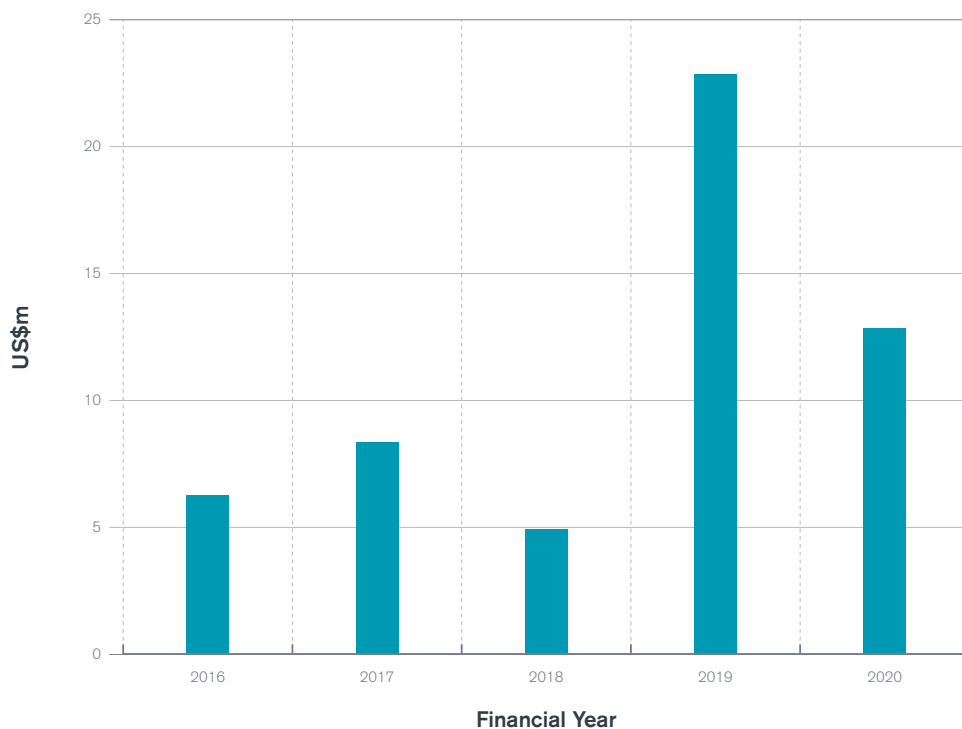
Strategic Report

(continued)

3. Operating ratios – Operating ratio/Net loss ratio, expense ratio and combined ratio, excluding the effect of exchange movements on claims reserves.



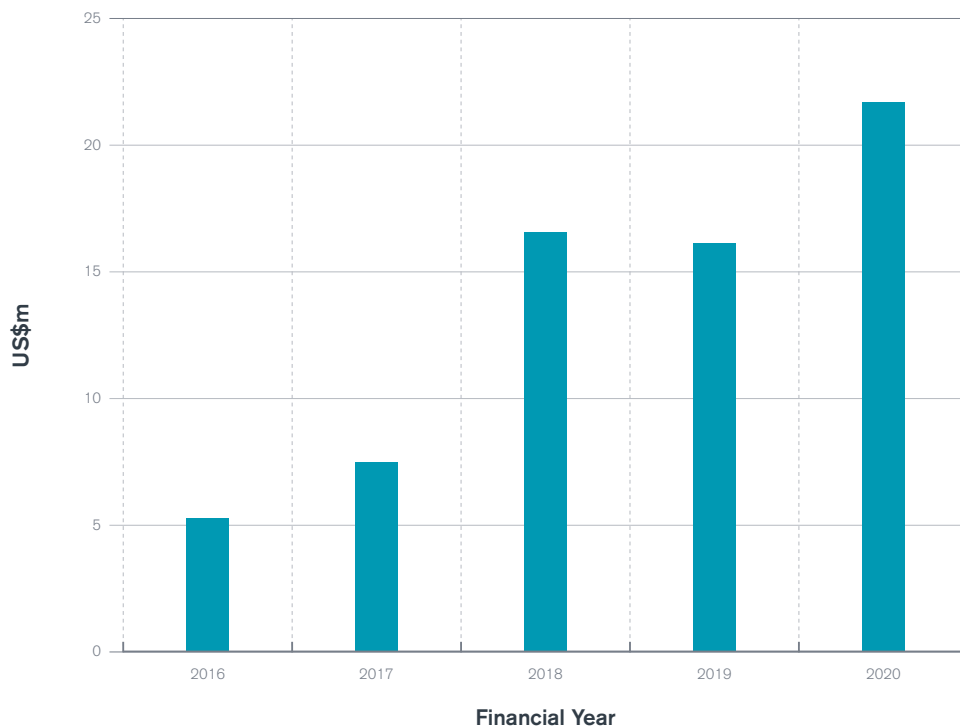
4. Investment performance – total investment return gross of tax and excluding exchange movements, interest payable and financing costs.



Strategic Report

(continued)

5. Surplus for the year



Principal Risks and Uncertainties

All principal risks and uncertainties have been assessed by management and details of these can be found in the Directors' report.

Brexit

Details regarding Brexit can be found in the Chairman's Review.

Corporate, social and environmental

The Directors are of the opinion that the environmental impact of TT Club's activities is low, due to the small size and the nature of its business. KPIs relating to environmental matters are being developed. The business is, however, conscious of its environmental responsibility, and continues to invest in electronic claims handling and underwriting systems designed to increase efficiency and reduce reliance on paper-based records. It has also invested in website technology in order to facilitate electronic distribution of its products and information to Members, brokers, suppliers and third parties.

The Directors are in the process of developing an Environmental, Social and Governance policy for the Club. An initial draft of this was reviewed by the Board at its November 2020 meeting. Further work will be carried out in 2021 to develop and finalise the policy.

During 2020 the Directors considered the impact of climate change on the Club as part of its Own Risk and Solvency Assessment process. This involved developing a scenario to model the impact of climate change on the Club's underwriting and investment performance. The scenario included an increase in the frequency of large property losses from windstorms, increased reinsurance costs and a fall in investment return. As a result of this modelling the Directors concluded that the impact of climate change was not likely to be material to the Club's financial performance. Further work will be carried out to in 2021 to consider whether any changes to the Club's investment mandate should be made in view of the Club's Environmental, Social and Governance policy.

Strategic Report

(continued)

Directors Duty to promote the Success of the Company

The Directors are fully aware of their responsibility to promote the success of the company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year.

The Club's Business Plan approved by the Board in November 2020 states:

"The TT Club's mission is "To make the global transport and logistics industry safer and more secure".

To achieve this mission, the Club will be positioned as the preferred independent mutual specialist provider of insurance products and related risk management services to the industry.

A significant element of the value the Club provides to its Members is derived from the depth of expertise within the organisation. In discharging the mission, the Club will therefore use its specialist knowledge to assist Members by

- *creating best in class insurance solutions*
- *making the complex simple*
- *delivering an unparalleled customer experience for Members and their brokers."*

Other than its Members who are both the mutual policyholders and owners of the Club, the Club's key stakeholders are its brokers, reinsurers, Managers (Thomas Miller) and Network Partners (who provide claims handling services to supplement those provided by its Managers).

The delivery of the Club's mission is core to maintaining the success of the company. The Board has a strategic objective of maintaining the Club's financially stable platform, from which to provide risk management and loss prevention services to the industry. This continues to be achieved and is supported by the affirmation of the Club's A- (Excellent) financial strength rating by A M Best in 2020.

During 2020 the Board also received reports at its meetings on the Club's loss prevention activities which benefit the Members, providing input and direction on key initiatives. Some of these are set out on page 5 of the Chairman's Review, including the Club's efforts to drive improvements in cargo declaration and packing, the development of its Cargo Integrity Campaign and anti-crime initiatives.

The Club continues to utilise data it collects, particularly in relation to claims, to assist its Members, as well as other industry stakeholders, in developing good operational practices, including embracing emerging technologies in a robust and considered manner. The Club utilises the data to interact with its membership to improve individual risk profiles and with the broader industry through frequent publications, conference presentations and webinars.

The Club has strong relationships with its brokers and reinsurer and through its Managers the Club maintains contact and high level engagement with the senior management of its key brokers and reinsurers. The Board received updates on the Club's key broker and reinsurer relationships during 2020. At the end of 2020 the Club's general reinsurance programme was successfully renewed for 2021.

By approval of the Board.



Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2021

Directors' Report

The Directors present herewith their Report and the audited consolidated financial statements of TT Club.

This report is addressed to, and written for, the Members of the Company, and the Directors wish to draw attention to a number of financial and environmental uncertainties, including but not limited to the rate of claims and costs inflation, foreign exchange movements and economic growth, which mean that the actual results in the future may vary considerably from both historic and projected outcomes contained within any 'forward-looking statements'.

Future Performance

The Board will maintain the current strategy for the business in future years and anticipates future performance, in a competitive marketplace, to be in line with recent years.

Foreign Branches

TT Club Mutual Insurance Limited operates branches in Singapore, Hong Kong and Australia.

Risks and risk management

The Board has adopted a risk management policy which is designed to protect TT Club from occurrences that hinder sustainable achievement of our objectives and financial performance and to ensure that TT Club complies with regulatory requirements in the jurisdictions in which it operates.

The following key principles outline TT Club's approach to risk management:

- The Board is responsible for risk management and internal control;
- The Board is responsible for ensuring that a framework exists which sets out risk appetite, risk management and control and business conduct standards; and
- The Board is responsible for ensuring that the Managers implement and maintain a sound system of internal control.

All types of risk facing the business are identified and analysed, and each one is rated according to its probability of occurrence and impact, being an assessment of the significance of the event if it occurs, on the basis of financial, reputational, legal/regulatory and customer measures. The rating of each risk is carried out on the basis of both inherent risk and residual risk, the latter taking account of controls that are already operating. Risks are defined as 'Red', 'Amber' or 'Green' on both inherent and residual risk bases to assist the Board with the prioritisation of the management of risks, and also to demonstrate the importance of the mitigation or control that is in place. All risks are summarised and categorised in a Risk Log, which is monitored and re-assessed on an annual basis. The Club has established mitigation and control in order to respond to the risks that are identified and assessed as above. These response activities reflect the nature of the Club's business. The appropriateness and adequacy of mitigation and control for each risk is monitored. The Board recognises and accepts that additional action may be disproportionate or not further reduce the risk exposure.

Directors' Report

(continued)

Risks and risk management (continued)

The principal risks and uncertainties faced by the business are summarised as follows:

Insurance risk

Insurance risk is the potential adverse financial impact on TT Club as a result of:

- Inaccurate pricing of risk when underwritten
- Inadequate reinsurance protection
- Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations
- Inadequate claims reserves

Insurance risk is mitigated by means of:

- Prior approval of all quotations by a minimum of two senior underwriters
- Underwriters' authority levels based on experience and competence
- Technical underwriting and claims file reviews by management
- Key performance indicators and key risk indicators relating to underwriting and claims functions
- Regular actuarial, management and Board review of claims reserves
- Management review of reinsurance adequacy and security (refer to note 4)

Financial risks

Financial risks consist of:

- Market risk
- Currency risk
- Credit risk
- Liquidity and cash flow risk

Information on the use of financial instruments by TT Club and its management of financial risks is disclosed in Note 4 to the financial statements.

Operational risk

Operational risk arises from inadequately controlled internal processes or systems, human error and from external events. Operational risks include, for example, risks arising from outsourcing, conduct, information technology, information security, project management, human resources, taxation, legal, fraud, compliance and pandemic.

TT Club's IT systems are established and stable; any development follows standard project methodologies.

Appropriate operational policies and procedures covering all aspects of the business have been embedded through the organisation. Management information supports the control framework and is subject to on-going validation and enhancement to ensure that it is appropriate to business requirements.

The Directors have assessed the mitigation and controls environment relating to each of these types of insurance, financial, and operational risk and have made an assessment of the capital required to meet the residual risks faced by the business.

Directors' Report

(continued)

This transition to remote working went smoothly with the Club maintaining its very high standards of service though-out the organisation. The impact of Covid-19 on the Club's operations and its financial position continues to be monitored closely by the Club's Board and its managers.

Covid-19

As noted in the Chairman's Review and the Strategic Report the Club performed well in 2020. Although Covid-19 has impacted trade volumes, in overall terms the Club's Member volume growth was slightly positive at 1% for the year. Claims performance was also good, in part due to volume growth being depressed, with few pandemic related claims all of which had relatively low values. In terms of investments performance, despite a degree of volatility particularly in the early part of the year, the Club's investment return, net of interest payable and exchange losses, was US\$ 12.2 million (2019: US\$ 19.8 million).

In the first quarter of 2020, the Club's managers, Thomas Miller, put in place remote working for all its offices serving the Club. This transition to remote working went smoothly with the Club maintaining its very high standards of service though-out the organisation. The impact of Covid-19 on the Club's operations and its financial position continues to be monitored closely by the Club's Board and its managers.

Streamlined Energy and Carbon reporting (SECR)

TT Club falls under the scope of the SECR requirements based on its turnover and balance sheet total. The Directors have determined that TT Club is a low energy user, using less than 40,000 kwh per year. As noted earlier, the Club's core management and business activities are outsourced to Thomas Miller. For these reasons the Directors have not included information in relation to TT Club's energy and carbon usage.

Directors and Officers

The names of the Directors of the Club who served during the year and up to the date of signing the financial statements are shown on page 2. All the Directors retiring at the Annual General Meeting and seeking re-election were re-elected. The Directors of TT Club Mutual Insurance Limited are shown at the front of TT Club Mutual Insurance Limited annual report.

The Board of the Club met formally on three occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Bye-Laws of the Club. The number of Directors present at these meetings was 3, 20 and 18 respectively.

Amongst the matters considered, the Directors received and discussed written reports from the Managers on TT Club's financial development, with particular reference to underwriting policy, investment of its funds, insurance reserves and the major claims paid or outstanding.

Meetings of the Directors

Reports on the results of the negotiations for the renewal of Members at the start of and during the 2020 policy year were received and the Directors reviewed the list of new entries and of those Members whose entries had terminated.

The Annual Report and Financial Statements for the year ended 31 December 2019 were approved by the Board for submission to the Members of the Club at the Annual General Meeting. The Directors confirmed their intention not to levy any supplementary premium for the 2019 policy year and in addition, closed the 2017 policy year.

Directors' Report

(continued)

Board Committees

The Board has delegated specific authority to a number of committees. The Board is appraised as to the main issues discussed and all minutes of meetings of the committees are distributed to the Board.

The Nominations Committee ensures that the Board is appropriately skilled to direct a mutual insurance company, that the Directors are appropriately senior and representative of the membership, and that there is a proper balance of Directors taking account of the different categories of Member, different sizes of businesses insured and different locations of Members' businesses. The Nominations Committee met on three occasions during 2020.

The Audit & Risk Committee assists the Board in discharging its responsibilities for the integrity of TT Club's financial statements, the assessment of the effectiveness of the systems of internal control, monitoring the effectiveness and objectivity of the internal and external auditors and compliance with regulatory requirements in relevant jurisdictions. The Audit & Risk Committee met on five occasions during 2020.

The Management Committee is a new committee of the Board formed in June 2020 in order to comply with economic substance requirements in Bermuda. The role of the committee is to oversee the Club's quota share reinsurance agreement with TTI and to consider and approve where appropriate, the business strategy, the business plan and the Group Own Risk and Solvency Assessment. The Committee met on one occasion during 2020.

The Investment Committee makes recommendations to the Board in respect of investment policy and reviews in detail the performance of TT Club's investments. The Investment Committee met on two occasions during 2020.

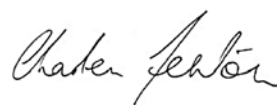
Statement of disclosure of information to auditors

Each person who is a Director at the date of this report confirms that:

- 1) So far as each of them is aware, there is no information relevant to the audit of the Club's financial statements for the year ended 31 December 2020 of which the auditors are unaware; and
- 2) The Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make him/herself aware of any relevant audit information and to establish that the Club's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting.

By approval of the Board.



Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable laws and regulations in Bermuda.

The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required to give a true and fair view of the state of affairs of TT Club and Parent Company and of the profit or loss of TT Club and Parent Company for that year.


In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that TT Club and Parent Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of TT Club and Parent Company and to enable them to ensure that the financial statements comply with applicable law and United Kingdom Accounting Standards. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Through Transport Mutual Insurance Association website, www.ttclub.com, is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By approval of the Board.



Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2021

Notice of Meeting

Notice is hereby given that the fifty second Annual General Meeting of the Members of the Club will be held by video conference on the twenty- fourth day of June 2021 at 1.50 pm CET for the following purposes:

- To receive the Directors' Report and Financial Statements for the year ended 31 December 2020 and, if they are approved, to adopt them.
- To elect Directors.

- To appoint auditors and to authorise the Directors to fix their remuneration.
- To agree a recommendation on Directors' remuneration
- To transact any other business of an Ordinary General Meeting.

By approval of the Board.



Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2021

Independent auditors' report to the members of Through Transport Mutual Insurance Association Limited

Report on the audit of the Group and Parent Company financial statements

Opinion

In our opinion, Through Transport Mutual Insurance Association Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2020 and of the group surplus and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Statement of Financial Position as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Parent Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group and parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Through Transport Mutual Insurance Association Limited

Report on the audit of the Group and Parent Company financial statements (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the *Directors' Responsibilities Statement* set out on page 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are responsible for assessing the group and parent 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 the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Bermuda Monetary Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and judgemental areas of the financial statements such as the reserving methodology and subjectivity in key reserving assumptions. Audit procedures performed by the engagement team included:

- Discussions with the Audit and Risk Committee, management, internal audit, and senior management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the company's whistleblowing register and the results of management's investigation of such matters;
- Inspecting key correspondence with the Bermuda Monetary Authority in relation to compliance with laws and regulations;
- Reviewing Board meeting and Audit and Risk Committee meeting minutes;
- Reviewing the company's internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;

Independent auditors' report to the members of Through Transport Mutual Insurance Association Limited

Report on the audit of the Group and Parent Company financial statements (continued)

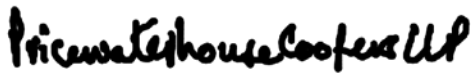
- Testing the valuation of the outstanding claims reserve;
- Identifying and testing journal entries with unusual characteristics, such as journals with unusual account combinations, journals posted on behalf of senior management, and journals that appear to be inappropriately duplicated or reversed; and
- Tests which incorporated elements of unpredictability.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, handwritten-style font.

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 March 2021

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- (a) The maintenance and integrity of the Through Transport Mutual Insurance Association Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Income Statement

for the year ended 31 December 2020

Technical account	Note	2020		2019	
		US\$000s	US\$000s	US\$000s	US\$000s
Gross premiums written	8		224,192		214,458
Reinsurance premiums ceded			(58,545)		(59,019)
Premiums written, net of reinsurance			165,647		155,439
<i>Change in provision for unearned premiums</i>					
Gross	7		(3,761)		(8,280)
Reinsurers' share	7		3,242		(501)
			(519)		(8,781)
Earned premiums, net of reinsurance			165,128		146,658
Allocated investment return transferred from the non-technical account	2(j)		6,168		12,089
Other technical income			4		30
<i>Claims paid</i>					
Gross	5(i)		(108,744)		(117,175)
Reinsurers' share	5(i)		24,377		24,923
			(84,367)		(92,252)
<i>Change in the provision for claims</i>					
Gross			(11,621)		3,494
Reinsurers' share			8,863		5,865
			(2,758)		9,359
Claims incurred, net of reinsurance			(87,125)		(82,893)
Net operating expenses	9		(68,179)		(70,823)
Balance on the technical account			15,996		5,061

All activities derive from continuing operations.

Consolidated Income Statement

for the year ended 31 December 2020 (continued)

Non-technical account	Note	2020 US\$000s	2019 US\$000s
Balance on the technical account		15,996	5,061
Write back of negative goodwill		–	3,625
Net Investment income		12,971	12,662
Net unrealised (losses)/gains on investments		(201)	10,208
Exchange losses		(87)	(2,561)
Interest payable and financing costs	10	(442)	(502)
		12,241	19,807
Allocated investment return transferred to the technical account	10	(6,168)	(12,089)
Surplus on ordinary activities before tax		22,069	16,404
Tax on ordinary activities	11	(552)	(383)
Surplus on ordinary activities after tax		21,517	16,021
Surplus for the year		21,517	16,021

All activities derive from continuing operations and are attributable to members.
The notes on pages 29 to 52 form an integral part of these financial statements.

Consolidated and Parent Statement of Financial Position

as at 31 December 2020

Assets	Note	Consolidated		Parent Company	
		2020 US\$000s	2019 US\$000s	2020 US\$000s	2019 US\$000s
<i>Investments</i>					
Land and buildings		54	215	–	–
Shares in subsidiary undertakings	12	–	–	12	12
Other financial investments	13	462,157	440,981	348,236	333,684
Derivative financial instruments		–	139	–	139
<i>Reinsurers' share of technical provisions</i>					
Provision for unearned premiums		21,558	18,316	–	–
Claims outstanding		70,309	61,403	3,375	2,431
		91,867	79,719	3,375	2,431
<i>Debtors</i>					
Arising out of direct insurance operations - policyholders		51,223	49,988	4,500	3,810
Arising out of reinsurance operations		6,850	4,468	43,736	44,904
Amounts due from group undertakings		–	–	58,276	41,324
Other debtors		715	631	–	29
		58,788	55,087	106,512	90,067
Cash at bank		61,338	46,695	7,130	7,412
Other assets		148	481	148	481
Retirement benefits and similar obligations	17	24	45	–	–
<i>Prepayments and accrued income</i>					
Accrued interest		1,259	1,926	834	1,433
Deferred acquisition costs		8,574	8,157	1,026	886
Prepayments		1,094	331	101	97
		10,927	10,414	1,961	2,416
Total assets		685,303	633,776	467,374	436,642

Consolidated and Parent Statement of Financial Position

as at 31 December 2020 (continued)

Liabilities and reserves	Note	Consolidated		Parent Company	
		2020 US\$000s	2019 US\$000s	2020 US\$000s	2019 US\$000s
<i>Reserves</i>					
Statutory reserve		240	240	240	240
Surplus and reserves		246,818	225,301	177,501	159,901
		247,058	225,541	177,741	160,141
<i>Technical provisions</i>					
Provision for unearned premiums - gross		84,538	80,777	50,471	50,303
Claims outstanding – gross		321,049	301,472	230,134	219,499
		405,587	382,249	280,605	269,802
<i>Creditors</i>					
Arising out of reinsurance operations		17,012	15,157	718	718
Derivative financial instruments	14	223	–	223	–
Other creditors including taxation and social security		2,586	1,299	276	218
		19,821	16,456	1,217	936
Accruals and deferred income		12,869	9,566	7,811	5,763
		32,690	26,022	9,028	6,699
Equity minority interest		(32)	(36)	–	–
Total liabilities and reserves		685,303	633,776	467,374	436,642

The notes on pages 29 to 52 form an integral part of these financial statements.

The financial statements on pages 23 to 52 were approved by the Board of Directors and authorised for issue on 29 March 2021.

They were signed on its behalf by:

DIRECTORS



U Kranich



J Küttel

Company Registered Number: 1750

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Statutory Reserve US\$000s	Surplus and reserves US\$000s	Total US\$000s
At 31 December 2018	240	209,280	209,520
Surplus for the year	–	16,021	16,021
At 31 December 2019	240	225,301	225,541
Surplus for the year	–	21,517	21,517
At 31 December 2020	240	246,818	247,058

Parent Statement of Changes in Equity

for the year ended 31 December 2020

	Statutory Reserve US\$000s	Surplus and reserves US\$000s	Total US\$000s
At 31 December 2018	240	147,085	147,325
Surplus for the year	–	12,816	12,816
At 31 December 2019	240	159,901	160,141
Surplus for the year	–	17,600	17,600
At 31 December 2020	240	177,501	177,741

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 US\$000s	Restated ¹⁾ 2019 US\$000s
Cash flows from operating activities			
Premiums, net of brokerage, received from policyholders		196,569	186,801
Reinsurance premiums ceded paid		(56,790)	(62,739)
Claims paid		(108,779)	(116,829)
Reinsurance receipts in respect of claims		21,664	24,214
Investment income		12,099	15,103
Management fee paid		(43,677)	(49,223)
Expenses paid		(2,178)	(5,377)
Other operating cash movements		2,375	(2,222)
Overriding commissions on quota share reinsurance		7,968	8,621
Taxation paid		(126)	(289)
Net cash generated from/(used in) operating activities		29,125	(1,940)
Cash flows from investment activities			
Net receipts from sales of investments		4,829	4,412
Net cash flows from investing activities		4,829	4,412
Cash flows from financing activities			
Interest paid		(442)	(502)
Net cash flows used in financing activities		(442)	(502)
Net increase in cash and cash equivalents		33,512	1,970
Cash and cash equivalents at the start of the year		57,633	61,303
Effect of exchange rate fluctuations on cash and cash equivalents		2,027	(5,640)
Cash and cash equivalents at the end of the year (UCITS and cash at bank and in hand)	4(d)	93,172	57,633
	Note	2020 US\$000s	2019 US\$000s

Cash and cash equivalents at the end of the year is comprised of:

Cash at bank	61,338	46,695
UCITS (included within Other financial investments in the Consolidated Statement of Financial Position)	31,834	10,938
Cash and cash equivalents at the end of the year (UCITS and cash at bank and in hand)	93,172	57,633

¹⁾ Further details in regard to the restatement of the prior year cash flow are disclosed in note 18

Notes to the Consolidated Financial Statements

Note 1:

Constitution and ownership

The Club is incorporated in Bermuda under the Through Transport Mutual Insurance Association Limited Consolidation and Amendment Act 1993 as an exempted company. The liability of Members is limited to the supplementary premiums set by the Directors and, in the event of its liquidation, any net assets of the Club (including the Statutory Reserve of US\$ 240,000) are to be distributed equitably to those Members insured by it during its final underwriting year. There is no ultimate parent company or controlling party.

Note 2:

Accounting policies

(a) Basis of preparation and statement of compliance

These Group financial statements which consolidate the financial statements of the Club and its subsidiary undertakings have been prepared under the Bermuda Companies Act 1981. The Club and its subsidiary undertakings have applied uniform accounting policies and on consolidation all intra-group transactions, profits, and losses have been eliminated. The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and Companies Act 2006 and where appropriate the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (The Regulations) relating to insurance companies. TT Club financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations relating to insurance groups. The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The functional currency of the Club is considered to be United States Dollar because that is the currency of the primary economic environment in which the Club operates. The consolidated financial statements are also presented in United States Dollars. Foreign operations are included in accordance with the policies set out below.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of provisions for anticipated adjustment premiums, less an allowance for cancellations.

Premiums are stated before the deduction of commissions and brokerage but net of taxes and duties levied.

(c) Unearned premiums

Premiums written during the financial year are earned as revenue on a daily pro-rata basis over the period of cover provided, in line with the incidence of risk. Amounts relating to periods after the year end are treated as unearned and included within liabilities on the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

Note 2:

Accounting policies (continued)

(d) Commission income

Commission income is earned on TT Club's general reinsurance programme and on insurance arranged by TT Club on behalf of Members and others. Overriding commission on quota share premiums is shown as a reduction of net operating expenses.

(e) Claims

Provision is made for all claims incurred during the year – whether paid, estimated, or unreported, claims management costs, and adjustments to claims provisions brought forward from previous years. In addition, claims management costs include an allowance for estimated costs expected to be incurred in the future in the management of claims.

Estimated claims stated in currencies other than the functional currency are converted at year-end rates of exchange and any exchange difference is included within claims incurred in the income statement.

The provision for claims outstanding includes both estimates for known outstanding claims and for claims incurred but not reported ("IBNR"). The estimates for known outstanding claims are based on the best estimate and judgement of the likely final cost of each individual claim based on current information. The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of cost of settling claims already notified to the Club, where more information is generally available.

The Club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

The best estimate of unreported claims on each policy year and the eventual outcome may vary from the original assessment. As a result of this inherent uncertainty, sophisticated estimation techniques are required to determine an appropriate provision. The estimate is made using a range of standard actuarial projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods. Such methods extrapolate the development of claims for each policy year, based on the claims patterns of earlier years and the expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in future and alternative approaches are applied as appropriate.

An estimate for Members and general reinsurance in relation to the provision for unreported claims has been made by reference to the relationship between gross and net claims on current and prior policy years and having due regard to recoverability.

(f) Reinsurance recoveries

The liabilities of TT Club are reinsured above certain levels and for certain specific risks.

The figure credited to the income statement for reinsurance recoveries includes receipts and amounts due to be recovered on claims already paid together with changes in the amount of recoveries to be made on outstanding claims. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

(g) Acquisition costs

Brokerage, commission payments, and other direct costs incurred in relation to securing new contracts and re-writing existing contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date and are shown as assets in the statement of financial position. Amounts deferred are amortised over the life of the associated insurance contract.

Notes to the Consolidated Financial Statements (continued)

Note 2:

Accounting policies (continued)

(h) Management Fee

TT Club's business model is to outsource the entire management function to companies within the Thomas Miller Holding Limited group of companies. The managers of the Association are Thomas Miller (Bermuda) Limited and the managers of TTI are Through Transport Mutual (Services) UK Limited. The management fee (which includes an element in relation to claims handling) payable to the managers is agreed on an annual basis and covers the cost of managing the TT Club. In addition to this the managers receive a performance related fee. The management fee (excluding the claims handling element) and performance related fee are included within net operating expenses. The claims handling element of the management fee is included within paid claims. All fees payable to the managers are charged to the income statement in the period they relate to.

(i) Financial assets

The Club has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation, and disclosure of its financial assets and financial liabilities. Financial assets are classified between the following categories: financial assets at fair value through profit or loss, loans and receivables, derivative financial instruments, and cash and cash equivalents. The classification depends on the purpose for which the assets were acquired and is determined at initial recognition. This is re-evaluated at every reporting date.

Fair value through profit and loss

Assets, including all investments of TT Club, are classified as fair value through profit and loss and are designated as such by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Investments are included in the statement of financial position at market value translated at year-end rates of exchange. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market 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 at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of investments denominated in currencies other than the US dollars are translated into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the income statement. The movement in unrealised investment gains and losses includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

Net gains or losses arising from changes in fair value of financial assets at fair value through profit or loss are presented in the Consolidated Income Statement within 'Unrealised gains/(losses) on investments' in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. A provision is created against any balance that may be impaired. Commission payable to intermediaries is netted off against debtors arising from insurance operations.

Notes to the Consolidated Financial Statements (continued)

Note 2:

Accounting policies (continued)

(i) Financial assets (continued)

Derivative financial instruments

TT Club designates derivatives as either: hedges of a firm commitment or highly probable forecast transactions; or non-hedge derivatives.

Non-hedge Derivative Financial Instruments

Non-hedge derivative financial instruments include open foreign currency contracts. They are designated as fair value through profit and loss. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair value are charged or credited to the Consolidated Income Statement. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge Derivative Financial Instruments

TT Club documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14.

The changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Consolidated Income Statement. The cumulative hedging gain or loss on the unrecognised firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in the Consolidated Income Statement.

UCITS

The UCITS are Undertakings for Collective Investments of Transferable Securities, and are used as an alternative to short term cash deposits. These are short-term, highly liquid investments that can be readily converted to cash, with original maturities of three months or less. UCITS are treated as cash equivalents for the purpose of the cash flow statement.

Cash at bank

Cash at bank include cash in hand and deposits held at call with banks.

(j) Investment return

Investment return comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash, and realised and unrealised gains and losses on investments. Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

The movement in unrealised gains and losses on investments represents the difference between the fair value at the statement of financial position date and their purchase price (if purchased in the financial year) or the fair value at the last statement of financial position date, together with a reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

TT Club allocates a proportion of its actual investment return to the technical account based on the average ratio of outstanding claims to funds available to meet outstanding claims.

(k) Foreign currencies

Revenue transactions are translated into US dollars at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing US dollar exchange rate. The resulting differences are shown separately in the Consolidated Income Statement. Non-monetary assets and liabilities are carried at the exchange rate prevailing at the date of the transaction.

Exchange gains or losses arising on non-US dollar cash holdings are treated as realised and are included in the statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

Note 2:

Accounting policies (continued)

(l) Policy year accounting

When considering the results of individual policy years for the purposes of membership accounting, premiums, reinsurance premiums payable, claims, and reinsurance recoveries are allocated to the policy years to which they relate based on the period of cover of each insurance policy. The fixed portion of the management fee is charged to the current policy year while any performance related management fee is allocated to the Reserve Fund. General administration expenses are charged against the current policy year.

Investment income and exchange gains or losses are allocated proportionately to the average balance on each open policy year and the Reserve Fund. UK taxation, which is based on investment income, is allocated proportionately between the open policy years and the Reserve Fund. Other taxation is allocated entirely to the policy years to which it relates.

(m) Closure of policy years

On formal closure of a policy year, a sum equivalent to the anticipated future investment income on the balance on that year is transferred from the Reserve Fund to the credit of the closing year. Thereafter, any income derived from such funds is credited to the Reserve Fund, thereby offsetting the amount originally debited.

For closed policy years, TT Club retains a balance sufficient to meet the estimated net outstanding claims and claims incurred but not reported on that year. Future adjustments to these amounts as well as differences between the estimates and the ultimate payments will be met by transfers to or from the Reserve Fund.

(n) Unexpired risk reserve

Full provision is made for unexpired risks when it is anticipated that unearned premiums, net of associated acquisition costs, will be insufficient to meet the expected claims and expenses of business as at the year-end after taking account of future investment income.

Unexpired risk surpluses and deficits are offset where business classes are managed together and provision is made if a deficit arises.

(o) Reinsurance

Contracts entered into by TT Club with reinsurers, under which TT Club is compensated for losses on one or more contracts issued by TT Club and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts. Insurance contracts entered into by TT Club under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts, provided there is significant transfer of insurance risk. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of TT Club's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the Consolidated Income Statement, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when due.

Notes to the Consolidated Financial Statements (continued)

Note 2:

Accounting policies (continued)

(p) Taxation

Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Current Tax

Current tax is the amount of income/corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

TT Club incurs current tax in the United Kingdom on 10% of the total of its investment income and net gains (less net losses) on its investments.

(q) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment. The Club reviews the carrying value of its parent company subsidiaries at each statement of financial position date where there has been an indication that impairment has occurred. If the carrying value of a subsidiary undertaking is impaired, the carrying value is reduced through a charge to the income statement.

(r) Related parties

TT Club discloses transactions with related parties which are not wholly owned within the same Group. Further details can be found in note 16.

Note 3:

Critical accounting estimates and judgments and estimation uncertainty

TT Club makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is TT Club's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that TT Club will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, TT Club uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. This is further explained in note 2 (e).

(a) Pipeline premiums

TT Club makes an estimate of premiums written during the year that have not been notified in the financial year ('pipeline premiums') as detailed in note 2 (b). 2020: US\$ 1.7 million (2019: US\$ 2.39 million). Given the size of the amount the estimated uncertainty is limited.

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk

Financial Risk Management Objectives

TT Club is exposed to financial risk primarily through its financial investments, reinsurance assets, and liabilities to policyholders. In particular, the key financial risk is that the proceeds from financial investments are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk or investment risk (comprised of interest rate risk, equity price risk and currency risk) together with credit risk and liquidity risk.

TT Club manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit & Risk Committee. Further details are set out in the Directors' Report on pages 14 - 17.

The Boards of TT Club are responsible, advised by the Chief Executive working with the Investment Manager, for setting investment policy and the appropriate level of market or investment risk. This is set with reference to the overall risks faced by TT Club which are analysed as part of the Own Risk and Solvency Assessment ("ORSA") process.

The processes used to manage risks within TT Club are unchanged from the previous period and are set out in the Directors' Report.

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

TT Club's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholder liabilities. Interest rate risk is then monitored by comparing the mean duration of the investment portfolio and that of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

An increase of 100 basis points in interest rates at the year end date, with all other factors unchanged would result in a US\$ 3.73 million decrease in market value of TT Club's investments (2019: US\$ 4.34 million decrease). A decrease in 100 basis points in interest rates would result in a US\$ 3.73 million increase in the market value of TT Club's investments (2019: US\$ 4.34 million increase).

(ii) Investment price risk

TT Club is exposed to price risk as a result of its equity investments. TT Club's investment policy sets limits on TT Club's exposure to equities.

(b) Currency risk

TT Club is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US dollar. The most significant currencies to which TT Club is exposed to are Pounds Sterling and the Euro. From time to time TT Club uses forward currency contracts or options to protect against adverse in year exchange movements.

The table on the following page shows TT Club's assets by currency. TT Club seeks to mitigate such currency risk by matching the estimated foreign currency denominated liabilities with financial investments denominated in the same currency.

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(b) Currency risk (continued)

	USD US\$000s	GBP US\$000s	EUR US\$000s	Other US\$000s	Total US\$000s
2020					
Debt securities	361,636	12,628	5,597	–	379,861
Equity shares	29,434	11,247	9,781	–	50,462
Derivative financial instruments	–	–	–	–	–
UCITS	31,834	–	–	–	31,834
Assets arising from reinsurance contracts held	95,075	–	659	2,983	98,717
Debtors arising from insurance contracts	40,960	3,170	5,495	1,598	51,223
Other debtors	607	–	132	–	739
Cash at bank	27,365	2,614	1,820	29,539	61,338
Other	10,286	284	69	490	11,129
Total assets	597,237	29,903	23,553	34,610	685,303
Liabilities	(374,120)	(11,957)	(14,050)	(38,118)	(438,245)
Net assets	223,077	17,986	9,503	(3,508)	247,058
	USD US\$000s	GBP US\$000s	EUR US\$000s	Other US\$000s	Total US\$000s
2019					
Debt securities	366,623	13,319	3,365	–	383,307
Equity shares	25,661	12,257	8,818	–	46,736
Derivative financial instruments	(27,359)	(8,444)	35,942	–	139
UCITS	8,842	2,096	–	–	10,938
Assets arising from reinsurance contracts held	81,381	–	213	2,593	84,187
Debtors arising from insurance contracts	39,493	2,875	5,388	2,232	49,988
Other debtors	352	189	67	23	631
Cash at bank	20,156	2,567	1,048	22,924	46,695
Other	10,143	540	6	466	11,155
Total assets	525,292	25,399	54,847	28,238	633,776
Liabilities	(310,171)	(11,783)	(40,517)	(45,764)	(408,235)
Net assets	215,121	13,616	14,330	(17,526)	225,541

As at 31 December 2020 the currency split of TT Club's claims estimates was as follows: US\$ 232.7 million in US dollars and currencies pegged to the US dollar, US\$ 6.9 million in Pounds Sterling, US\$ 47.9 million in Euros and US\$ 33.4 million in other currencies.

At 31 December 2020, if the US dollar weakened by 5% against Sterling, with all other factors unchanged, Surplus and reserves would have increased by US\$ 0.87 million (2019: US\$ 0.71 million increase). If the US dollar strengthened by 5% against Sterling, with all other factors unchanged, Surplus and reserves would have decreased by US\$ 0.87 million (2019: US\$ 0.71 million decrease).

At 31 December 2020, if the US dollar weakened by 5% against the Euro, with all other factors unchanged, Surplus and reserves would have increased by US\$ 1.0 million (2019: US\$ 0.53 million decrease). If the US dollar strengthened by 5% against the Euro, with all other factors unchanged, Surplus and reserves would have decreased by US\$ 1.0 million (2019: US\$ 0.53 million increase).

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where TT Club is exposed to credit risk are:

- Reinsurers' shares of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policyholders;
- Amounts due from insurance intermediaries;
- Amounts due from corporate bond issuers; and
- Counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge TT Club's liability as primary insurer. If a reinsurer fails to pay a claim, TT Club remains liable for the payment to the policyholder. The creditworthiness of a reinsurer is considered before it is used and strict criteria are applied (including the financial strength of the reinsurer) before a reinsurer is approved.

The following tables provide information regarding aggregated credit risk exposure, for financial assets with external credit ratings, as at 31 December 2020. The credit rating bands are provided by independent ratings agencies:

	AAA	AA	A	BBB+ or less or unrated	Total
2020	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
Debt securities	24,601	333,548	21,712	–	379,861
Equity shares	–	–	–	50,462	50,462
UCITS	–	–	31,834	–	31,834
Assets arising from reinsurance contracts held	–	18,726	69,202	10,789	98,717
Debtors arising from insurance contracts	–	–	–	51,223	51,223
Other debtors	–	–	–	739	739
Cash at bank	5,581	–	55,650	107	61,338
Other	–	–	–	11,129	11,129
Total	30,182	352,274	178,398	124,449	685,303

	AAA	AA	A	BBB+ or less or unrated	Total
2019	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
Debt securities	20,922	334,424	27,961	–	383,307
Equity Shares	–	–	–	46,736	46,736
Derivative financial instruments	–	–	–	139	139
UCITS	–	–	10,938	–	10,938
Assets arising from reinsurance contracts held	–	69,359	7,682	7,146	84,187
Debtors arising from direct insurance	–	–	–	49,988	49,988
Other debtors	–	–	–	631	631
Cash at bank	6,719	13,168	26,704	104	46,695
Other	–	–	–	11,155	11,155
Total	27,641	416,951	73,285	115,899	633,776

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. TT Club maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 December 2020 TT Club's short term deposits (including cash and UCITS) amounted to US\$ 93.2 million (2019: US\$ 57.6 million).

The tables below provide a maturity analysis of TT Club's financial assets:

2020	Past due but not impaired					Financial assets that have been impaired US\$000s	Statement of Financial Position US\$000s
	Neither past due nor impaired	0-3 months	3-6 months	6 months - 1 year	> 1 year		
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s		
Debt securities	379,861	–	–	–	–	–	379,861
Equity shares	50,462	–	–	–	–	–	50,462
UCITS	31,834	–	–	–	–	–	31,834
Assets arising from reinsurance contracts held	98,717	–	–	–	–	–	98,717
Debtors arising from direct insurance	36,268	11,089	3,866	–	–	–	51,223
Other debtors	739	–	–	–	–	–	739
Cash at bank	61,338	–	–	–	–	–	61,338
Other	11,129	–	–	–	–	–	11,129
Total	670,348	11,089	3,866	–	–	–	685,303

2019	Past due but not impaired					Financial assets that have been impaired US\$000s	Statement of Financial Position US\$000s
	Neither past due nor impaired	0-3 months	3-6 months	6 months - 1 year	> 1 year		
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s		
Debt securities	383,307	–	–	–	–	–	383,307
Equity shares	46,736	–	–	–	–	–	46,736
Derivative financial instruments	139	–	–	–	–	–	139
UCITS	10,938	–	–	–	–	–	10,938
Assets arising from reinsurance contracts held	84,187	–	–	–	–	–	84,187
Debtors arising from direct insurance	34,135	10,699	5,154	–	–	–	49,988
Other debtors	631	–	–	–	–	–	631
Cash at bank	46,695	–	–	–	–	–	46,695
Other	11,155	–	–	–	–	–	11,155
Total	617,923	10,699	5,154	–	–	–	633,776

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(d) Liquidity and cash flow risk (continued)

The table below provides a maturity analysis of the Club's financial assets and liabilities:

	< 6 months or on demand US\$000s	Between 6 months and 1 year US\$000s	Between 1 year and 2 years US\$000s	Between 2 years and 5 years US\$000s	> 5 years US\$000s	Total US\$000s
2020						
Debt securities	157,143	124,402	68,048	24,184	6,084	379,861
Equity shares	50,462	–	–	–	–	50,462
UCITS	31,834	–	–	–	–	31,834
Assets arising from reinsurance contracts held	6,503	6,503	8,114	11,940	4,255	37,315
Reinsurers' share of claims outstanding	10,699	10,699	13,352	19,648	7,004	61,402
Debtors arising from insurance contracts	51,223	–	–	–	–	51,223
Other debtors	739	–	–	–	–	739
Cash at bank	61,338	–	–	–	–	61,338
Other	11,129	–	–	–	–	11,129
Total assets	381,070	141,604	89,514	55,772	17,343	685,303
Creditors	(117,196)	–	–	–	–	(117,196)
Claims outstanding	(55,943)	(55,943)	(69,813)	(102,732)	(36,618)	(321,049)
Net assets	207,931	85,661	19,701	(46,960)	(19,275)	247,058
	< 6 months or on demand US\$000s	Between 6 months and 1 year US\$000s	Between 1 year and 2 years US\$000s	Between 2 years and 5 years US\$000s	> 5 years US\$000s	Total US\$000s
2019						
Debt securities	114,230	101,725	82,274	73,567	11,511	383,307
Equity shares	46,736	–	–	–	–	46,736
Derivative financial instruments	–	139	–	–	–	139
UCITS	10,938	–	–	–	–	10,938
Assets arising from reinsurance contracts held	3,683	3,683	4,333	5,965	2,444	20,108
Reinsurers' share of claims outstanding	11,716	11,742	13,814	19,016	7,791	64,079
Debtors arising from insurance contracts	49,988	–	–	–	–	49,988
Other debtors	631	–	–	–	–	631
Cash at bank	46,695	–	–	–	–	46,695
Other	11,155	–	–	–	–	11,155
Total assets	295,772	117,289	100,421	98,548	21,746	633,776
Creditors	(106,763)	–	–	–	–	(106,763)
Claims outstanding	(53,013)	(55,713)	(65,547)	(90,231)	(36,968)	(301,472)
Net assets	135,996	61,576	34,874	8,317	(15,222)	225,541

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(e) Capital management

TT Club's capital is made up of policyholders' funds (surplus and reserves). TT Club's strategy is to maintain sufficient capital to meet regulatory requirements and to maintain an AM Best financial strength rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case.

TT Club continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). During the year to 31 December 2020 TT Club complied with Solvency II regulation. The Club assesses and maintains the amount of capital in excess of the amount required to meet the risks that it faces based on a 99.5 per cent confidence level of solvency.

As at 31 December 2020 TT Club's total regulatory capital available amounted to US\$ 247.0 million (2019: US\$ 225.5 million).

As at 31 December 2020, TT Club held deposits and letters of credit totalling US\$ 68.1 million to meet overseas regulatory requirements (2019: US\$ 67.8 million). This includes collateralised letters of credit amounting to US\$ 24.5 million (2019: US\$ 24.4 million) in relation to Hong Kong and a trust fund deposit of US\$ 43.6 million (2019: US\$ 43.4 million) in relation to the US.

(f) Fair value estimations

In accordance with section 34 of FRS 102, as a financial institution, TT Club applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1. Prices of recent transactions for identical instruments

Level 3 – Valuation techniques using observable & unobservable market data

All of TT Club's financial assets that are measured at fair value at both 31 December 2020 and 31 December 2019 fall into the Level 1 category with the exception of the debt securities and forward currency contracts, which fall into Level 2.

Consolidated	2020	2020	2020	2019	2019	2019
	Level 1 US\$000s	Level 2 US\$000s	Total US\$000s	Level 1 US\$000s	Level 2 US\$000s	Total US\$000s
Debt securities	–	379,861	379,861	–	383,305	383,305
Equity shares	50,462	–	50,462	46,737	–	46,737
Derivative financial instruments	–	–	–	–	139	139
UCITS	31,834	–	31,834	10,938	–	10,938
Financial assets held at fair value through profit and loss	82,296	379,861	462,157	57,675	383,444	441,119
Parent	2020	2020	2020	2019	2019	2019
	Level 1 US\$000s	Level 2 US\$000s	Total US\$000s	Level 1 US\$000s	Level 2 US\$000s	Total US\$000s
Debt securities	–	278,743	278,743	–	281,984	281,984
Equity shares	50,462	–	50,462	46,736	–	46,736
Derivative financial instruments	–	–	–	–	139	139
UCITS	19,031	–	19,031	4,964	–	4,964
Financial assets held at fair value through profit and loss	69,493	278,743	348,236	51,700	282,123	333,823

Notes to the Consolidated Financial Statements (continued)

Note 4:

Management of Financial Risk (continued)

(g) Insurance Risk

TT Club's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on TT Club from a policyholder. The risk is managed through the underwriting process, the purchase of reinsurance cover, the management of claims costs and the reserving process.

Sensitivity to insurance risk

Results of sensitivity testing are set out below, showing the impact on surplus before tax and equity. The impact of a change in a single factor is shown as a 1% increase in net reserves, with other assumptions unchanged.

	2020 US\$000s	2019 US\$000s
1% increase in net reserves reduces surplus before tax and equity by:	2,507	2,401

A 1% decrease in net reserves would have an equal and opposite effect

(i) Underwriting process

Underwriting authority is delegated to specific individuals who operate under set underwriting instructions and parameters with the on-going guidance and review of senior management. These parameters cover areas such as pricing, categories of business, limits of cover and new business risks to ensure that they fall within TT Club's guidelines for acceptable risk.

(ii) Reinsurance

The establishment of TT Club's reinsurance programme is driven by the Board's objective to manage risk to an acceptable level and to optimise TT Club's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, facultative reinsurance to protect against specific risks and whole account quota share reinsurance to protect against an accumulation of retained claims and to help manage TT Club's solvency.

(iii) Management of claims cost

Claims performance is monitored by senior management on a weekly basis through the use of management information and exception reports. Movements in notified claims costs are also monitored on a monthly basis with comparison made against actuarial expected development. Quarterly claims developments are reviewed by the reserving committee and the Boards.

(iv) Reserving process

TT Club establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in Note 2 of the financial statements as directed and reviewed by the Boards. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by senior management.

TT Club considers that the liability for insurance claims recognised in the consolidated statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Notes to the Consolidated Financial Statements (continued)

Note 5:

Claims paid

(i) Claims paid

Claims paid include claims handling charges paid to the Managers totalling US\$ 9.6 million (2019: US\$ 9.6 million).

	2020 Gross US\$000s	2020 RI US\$000s	2020 Net US\$000s	2019 Gross US\$000s	2019 RI US\$000s	2019 Net US\$000s
Technical provisions at the beginning of the year	301,472	(61,403)	240,069	304,625	(55,451)	249,174
Claims (paid)/recovered	(108,744)	24,377	(84,367)	(117,175)	24,923	(92,252)
Claims incurred	120,365	(33,240)	87,125	113,681	(30,788)	82,893
Exchange differences	7,956	(43)	7,913	341	(87)	254
Technical provisions at the end of the year	321,049	(70,309)	250,740	301,472	(61,403)	240,069

Claims development tables

The development of insurance liabilities provides a measure of TT Club's ability to estimate the ultimate value of claims. The top half of each table below illustrates how TT Club's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the consolidated statement of financial position.

Movement in prior year's provision for claims outstanding

Prior year reserves and margins released during the year amounted to US\$ 5.1 million (2019: US\$ 11.2 million released).

Assumptions underlying insurance balances

Reserving process

The risks associated with insurance contracts are complex and subject to a number of variables. The Club uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and ultimate claims numbers. The key methods used by the Club in estimating liabilities are:

- Chain ladder
- Bornhuetter-Ferguson
- Other statistical and benchmarking techniques

Significant delays are experienced in the notification and settlement of certain types of insurance claims, the ultimate cost of which may vary from the original assessment. Adjustments to claims provisions established in previous years are reflected in the consolidated financial statements for the period in which the adjustments are made.

There have been no changes in these assumptions since the previous year end.

Notes to the Consolidated Financial Statements (continued)

Note 5:

Claims paid (continued)

(i) Claims paid (continued)

Insurance claims – gross

Estimate of ultimate claims costs attributable to policy years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
At end of reporting year	123,417	155,471	138,007	104,326	103,435	123,738	132,620	138,946	138,942	138,586
1 year later	122,414	140,720	118,652	119,166	140,464	119,149	114,054	122,196	123,550	
2 years later	155,471	138,007	104,326	103,435	123,738	117,031	109,590	122,042		
3 years later	152,172	127,693	94,008	98,057	122,370	112,326	110,068			
4 years later	122,718	129,305	91,789	100,776	113,221	110,458				
5 years later	117,942	125,939	90,422	99,670	113,264					
6 years later	117,257	125,877	85,614	101,126						
7 years later	112,100	122,442	86,967							
8 years later	111,466	126,937								
9 years later	111,598									
Estimate of ultimate claims	111,598	126,937	86,967	101,126	113,264	110,458	110,068	122,042	123,550	138,586
Cumulative payments to date	109,574	118,278	82,100	91,111	102,680	95,277	84,805	80,390	53,721	14,580
Liability recognised on SOFP	2,024	8,660	4,867	10,016	10,584	15,182	25,264	41,652	69,829	124,006
Total liability relating to the past nine years										312,083
Other claims liabilities for prior years										8,966
Total technical provisions included in statement of financial position										321,049

Insurance claims – net

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
At end of reporting year	107,587	117,771	102,412	105,157	107,724	105,471	118,540	103,469	105,076	106,121
1 year later	110,497	114,259	91,986	91,383	102,382	98,323	101,968	91,910	92,742	
2 years later	111,617	106,541	83,527	85,457	101,992	91,623	97,422	92,546		
3 years later	101,386	99,846	80,218	87,672	96,631	92,844	96,215			
4 years later	99,662	98,030	79,129	86,377	93,823	91,232				
5 years later	98,973	96,743	75,918	86,662	93,618					
6 years later	94,808	95,384	74,919	87,868						
7 years later	94,610	97,558	76,078							
8 years later	94,554	99,044								
9 years later	94,691									
Estimate of ultimate claims	94,691	99,044	76,078	87,868	93,618	91,232	96,215	92,546	92,742	106,121
Cumulative payments to date	92,775	93,852	71,813	79,166	84,477	79,049	74,761	60,425	40,022	11,547
Liability recognised on SOFP	1,917	5,192	4,265	8,702	9,142	12,183	21,455	32,121	52,720	94,574
Total liability relating to the past nine years										242,269
Other claims liabilities for prior years										8,471
Total technical provisions included in statement of financial position										250,740

Notes to the Consolidated Financial Statements (continued)

Note 6:

Deferred acquisition costs

	2020 US\$000s	2019 US\$000s
On insurance contracts	8,574	8,157

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2020 US\$000s	2019 US\$000s
At 1 January	8,157	7,123
Expenses for the acquisition of insurance contracts deferred during the year	418	1,034
At 31 December	8,574	8,157

Note 7:

Provision for unearned premium

	Gross		Reinsurers' share	
	2020 US\$000s	2019 US\$000s	2020 US\$000s	2019 US\$000s
At 1 January	80,777	72,497	18,316	18,817
Increase/(decrease) in provision	3,761	8,280	3,242	(501)
At 31 December	84,538	80,777	21,558	18,316

Notes to the Consolidated Financial Statements (continued)

Note 8:

Segmental information

Gross premiums written	2020 US\$000s	2019 US\$000s
– members located in other EU states	34,200	32,019
– members located in UK	10,718	9,416
– members located outside EU	179,274	173,023
	224,192	214,458

The Club writes only marine, aviation, and transport business.

Gross premiums written – 2020	Policyholders			Total US\$000s
	located in other EU states US\$000s	Policyholders located in UK US\$000s	Policyholders located outside EU US\$000s	
Cargo	2,400	484	7,238	10,122
Containers and Chassis	7,376	1,613	33,906	42,895
Logistics	10,003	4,126	62,633	76,762
Other	67	136	6,767	6,970
Ports & Terminals	11,931	2,678	45,844	60,453
Property	2,423	1,681	22,886	26,990
	34,200	10,718	179,274	224,192

Gross premiums written – 2019	Policyholders			Total US\$000s
	located in other EU states US\$000s	Policyholders located in UK US\$000s	Policyholders located outside EU US\$000s	
Cargo	1,460	581	8,122	10,163
Containers and Chassis	7,646	1,427	34,337	43,410
Logistics	9,133	3,546	58,235	70,914
Other	204	294	6,237	6,735
Ports & Terminals	9,880	2,510	45,138	57,528
Property	3,696	1,058	20,954	25,708
	32,019	9,416	173,023	214,458

Notes to the Consolidated Financial Statements (continued)

Note 9:

Net operating expenses

	2020 US\$000s	2019 US\$000s
Acquisition costs		
Brokerage and commission	27,098	24,285
Management fee in respect of underwriting	16,904	16,829
Change in deferred acquisition costs	(418)	(1,034)
	43,584	40,080
Management fee in respect of management and performance related fee	26,765	32,394
General expenses	4,391	5,161
Directors' fee	717	749
Directors' travelling costs	27	409
Auditors' remuneration		
Parent company audit	146	148
Subsidiary company audit	305	304
Non-audit services		
Other services pursuant to legislation, including audit of regulatory returns	212	199
Total operating expenses before commission on reinsurance contracts	32,563	39,364
	76,147	79,444
Commission on reinsurance contracts	(7,968)	(8,621)
	68,179	70,823

Notes to the Consolidated Financial Statements (continued)

Note 10:

Investment return

	2020 US\$000s	2019 US\$000s
Investment income		
Income from financial assets held at fair value through profit or loss	6,461	6,488
Net gains on the realisation of investments	7,848	7,518
Net (losses)/gains on investments	(200)	10,208
	14,109	24,214
Investment expenses and charges		
Interest payable	(442)	(502)
Other investment management expenses	(1,339)	(1,344)
Foreign exchange losses	(87)	(2,561)
	(1,868)	(4,407)
Total investment return	12,241	19,807
<i>Investment return is analysed between:</i>		
Allocated investment return transferred to the technical business account	6,168	12,089
Net investment return included in the non-technical account	6,073	7,718
Total investment return	12,241	19,807

Notes to the Consolidated Financial Statements (continued)

Note 11:

Tax on ordinary activities

	2020 US\$000s	2019 US\$000s
(i) Analysis of tax charge on ordinary activities		
UK tax for the current period	(243)	(434)
Foreign tax for the current period	(340)	–
Adjustments in respect of prior periods	31	51
	(552)	(383)

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in Bermuda: 0% (2019: 0%) – the differences are explained below:

	2020 US\$000s	2019 US\$000s
Surplus on ordinary activities before tax	22,069	16,403
Tax at 0% thereon	–	–
Effects of:		
Tax levied outside Bermuda:		
United Kingdom	(243)	(434)
Italy	(340)	–
<i>Adjustments in respect of prior periods</i>		
United Kingdom	(4)	86
Italy	–	(3)
Australia	(35)	(32)
Total tax charge for year	(552)	(383)

The taxation charge comprises a charge for UK taxation based at a rate of 19% based on 10% of TT Club's investment return excluding that taxed within an overseas branch. The overseas tax charges relate to overseas income taxed at the prevailing rate in the respective jurisdictions.

The tax liability in Italy relates to corporate tax to be paid on closing of the Italian branch following the transfer of the business to UK P&I Club N.V.

Future tax charges are dependent on future investment return and prevailing tax rates. Currently the UK government is planning to increase the corporate tax rate to 25% in 2023.

Notes to the Consolidated Financial Statements (continued)

Note 12:

Shares in subsidiary undertakings

Name of subsidiary	Country of incorporation	Class of shares held	Principal activity	Proportion of shares held and voting rights
TT Club Mutual Insurance Limited	United Kingdom	N/A	General insurance and reinsurance	75% of Members' votes
TT (Bermuda) Services Limited (incorporated 30 January 1998)	Bermuda	Ordinary	Holding company	90%
TT Club Mutual Insurance N.V.	Netherlands	Ordinary	Non trading company	100%

The opening and closing value of the investments is \$12,000 at the statement of financial position date as recorded in the parent company accounts.

The Directors consider the value of these investments to be supported by their underlying assets. No impairment is considered to be required.

Notes to the Consolidated Financial Statements (continued)

Note 13:

Other financial investments

The Club's financial investments are summarised below by measurement category:

Consolidated	Carrying value		Purchase price	
	2020 US\$000s	2019 US\$000s	2020 US\$000s	2019 US\$000s
Held at fair value through profit and loss:				
- debt securities	379,861	383,306	376,624	380,367
- equities	50,462	46,736	44,195	39,843
- UCITS	31,834	10,939	31,834	10,939
Financial assets held at fair value through profit and loss	462,157	440,981	452,653	431,149

Parent Company	Carrying value		Purchase price	
	2020 US\$000s	2019 US\$000s	2020 US\$000s	2019 US\$000s
Held at fair value through profit and loss:				
- debt securities	278,743	281,984	277,032	280,270
- equities	50,462	46,736	44,195	39,842
- UCITS	19,031	4,964	19,031	4,963
Financial assets held at fair value through profit and loss	348,236	333,684	340,258	325,075

The UCITS are Undertakings for Collective Investments of Transferable Securities, and are used as an alternative to short term cash deposits. They are classified as cash equivalents as they are short term, highly liquid investments that can be readily converted to cash.

The debt securities with a maturity of less than one year total US\$ 281.5 million (2019: US\$ 216.0 million) with the remainder recoverable after more than one year.

As described in note 2(h), the investments of US\$ 462.2 million (2019: US\$ 441.2 million) are valued in the financial statements at market value.

Notes to the Consolidated Financial Statements (continued)

Note 14:

Derivative financial instruments

(a) Fair value hedge

The Club uses forward currency contracts to hedge the foreign exchange risks that it is exposed to as a result of future committed management fee payable in sterling.

The forward currency contracts taken out to hedge against the future management fee payments have been designated as fair value hedges. As a result, both the fair value of the contracts and the hedged item are shown on the statement of financial position, with the gain or loss shown in the income statement.

(b) Non hedge derivatives

Forward currency contracts are entered into in order to manage the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies which are matched by holdings of those currencies. The open contracts have been re-valued at year-end rates of exchange. The profit or loss on exchange on these contracts is included within exchange gains and losses. These are economic hedges, but do not meet the hedge accounting criteria.

	Contract/ notional amount US\$000s	Fair value asset US\$000s	Fair value liability US\$000s	Fair value per accounts US\$000s
2020				
Non hedge derivatives	4,205	–	(223)	(223)
Fair value hedge	59,535	(4,428)	4,576	148
Total	63,740	(4,428)	4,353	(75)

	Contract/ notional amount US\$000s	Fair value asset US\$000s	Fair value liability US\$000s	Fair value per accounts US\$000s
2019				
Non hedge derivatives	15,976	139	–	139
Fair value hedge	64,002	481	–	481
Total	79,978	620	–	620

Note 15:

Guarantees and commitments

Investments to the value of US\$ 40.2 million (2019: US\$ 40.0 million) have been charged as collateral in respect of letters of credit as security for holders of insurance policies in Canada and for regulatory purposes in Hong Kong.

The Club has issued a guarantee, not to exceed US\$ 2.5 million, to TT Club Mutual Insurance Limited to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn as 31 December 2020 amounted to nil (2019: nil).

Notes to the Consolidated Financial Statements (continued)

Note 16:

Related party transactions

The Club reinsures its subsidiary, TT Club Mutual Insurance Limited, under a 90% whole account quota share agreement. All operations and transactions of TT Club Mutual Insurance Limited ("TTB") are included within the consolidated financial statements. The premiums written on this agreement amounted to US\$ 115.2 million (2019: US\$ 108.1 million). The recoveries on paid claims was US\$ 73.6 million (2019: US\$ 77.1 million). A total of US\$ 25.4 million was paid to TTI from TTB in relation to commission on the quota share contract.

Reinsurers' share of the provision for unearned premiums includes US\$ 43.5 million (2019: US\$ 44.7 million) in relation to the quota share with the parent company. Reinsurers' share of the provision for outstanding claims includes US\$ 215.8 million (2019: US\$ 207.0 million) in relation to the quota share with the parent company.

Through Transport Mutual Insurance Association Limited is managed by Thomas Miller (Bermuda) Limited. Under this arrangement, all day-to-day operations of the Club are outsourced to Thomas Miller (Bermuda) Limited. Total fees paid to Thomas Miller (Bermuda) Limited and related companies are disclosed in notes 5 and 9. At 31 December 2020 the outstanding amount payable by the Club amounted to US\$ 7.6 million (2019: US\$ 6.9 million). Other than the management fees disclosed, no further payments were made to Thomas Miller (Bermuda) Limited, its related companies, or its Directors.

Note 17:

Retirement benefits and similar obligations

TT Club Mutual Insurance Limited manages a defined benefit pension scheme which was taken over following the acquisition of Scottish Boatowners in 2017.

Note 18:

Restatement of prior year cash flow

The presentation of the cash flow statement was changed to correctly present UCITS as a cash equivalent within the cash flow statement. This restatement had no impact to the Consolidated Income Statement. The impact of the correction is to increase cash flow from investing activities by US\$ 0.812 million with corresponding increase in cash and cash equivalents by US\$ 10.938 million.

