

# **Solvency and Financial Condition Report**

**TT Club Mutual Insurance Limited**

**Year Ended 31 December 2022**

## Contents

Summary .....	3
Directors' Statement .....	4
A. Business and Performance .....	9
A.1 Business .....	9
A.2. Underwriting Performance .....	11
A.3. Investment Performance .....	15
A.4. Performance of Other Activities .....	17
A.5. Any Other Information .....	17
B. System of Governance .....	18
B.1. General Information on the System of Governance .....	18
B.2. Fit and Proper Requirements.....	22
B.3. Risk Management System.....	23
B.4. Internal Control System Including the Compliance Function .....	26
B.5. Internal Audit Function.....	28
B.6. Actuarial Function.....	29
B.7. Outsourcing.....	30
B.8. Any Other Information .....	30
C. Risk Profile.....	31
C.1. Insurance Risk (Underwriting and Reserving) .....	31
C.2. Market Risk .....	32
C.3. Credit Risk .....	33
C.4. Liquidity Risk.....	34
C.5. Operational Risk.....	34
C.6. Other Material Risks.....	34
C.7. Any Other Information .....	35
D. Valuation for Solvency Purposes.....	36
D.1. Assets.....	36
D.2. Technical Provisions .....	38
D.3. Other Liabilities .....	40
D.4. Alternative Methods of Valuation.....	41
D.5. Any Other Information .....	41
E. Capital Management .....	42
E.1 Own Funds.....	42
E.2 Solvency Capital Requirement and Minimum Capital Requirement .....	44

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement.....	46
E.4 Differences Between the Standard Formula and Any Internal Model Used.....	46
E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement.....	46
E.6 Any other information .....	46

## Summary

This document forms the Solvency and Financial Condition Report (“SFCR”) for TT Club Mutual Insurance Limited (“TTI”) for the year ended 31 December 2022.

The SFCR and attached appendices have been prepared on a solo basis for TTI but given the group supervision provisions under Solvency II and as TTI and its parent company, Through Transport Mutual Insurance Association Limited (“TTB”), are managed as a single business the report also includes relevant information for the Group as a whole.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. During the year there have been no material changes in this regard.

The ultimate Administrative Body that has the responsibility for all of these matters is the Club’s Board of Directors, with the help of various governance and control functions that have been put in place to monitor and manage the business.

TTI’s business is the provision of liability and asset insurances and related risk management services to the international transport and logistics industry. TTI is a mutual company, limited by guarantee. It is a subsidiary of Through Transport Mutual Insurance Association Limited (“TT Bermuda”), a mutual insurance company based in Bermuda. The two companies have separate corporate governance arrangements but operate as a single business.

TTI’s 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. TTI maintains a conservative investment strategy.

Under UK GAAP, TTI generated a deficit of US\$ 4.663 million during 2022 (2021: US\$ 2.891 million deficit). As at 31 December 2022, TTI’s surplus and reserves amounted to US\$ 61.959 million (2021: US\$ 66.622 million).

Under Solvency II, TTI’s eligible own funds at 31 December 2022 amounted to US\$ 75.255 million (2021: US\$ 69.599 million) compared with its Solvency Capital Requirement (“SCR”) of US\$ 52.379 million (2021: \$44.941 million) resulting in a solvency ratio of 144% (2021: 155%).

Under UK GAAP, TTB generated a consolidated surplus during 2022 of US\$ 5.635 million (2021: US\$ 8.804 million). As at 31 December 2022, TTB’s consolidated surplus and reserves amounted to US\$ 261.498 million (2021: US\$ 255.862 million).

On a Solvency II basis, TTB’s eligible own funds amounted to US\$329.362 million compared with a SCR of US\$137.002 million resulting in a solvency ratio of 240%.

## Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- a. throughout the financial year in question, TT Club Mutual Insurance Limited has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b. it is reasonable to believe that the TT Club Mutual Insurance Limited has continued so to comply subsequently and will continue so to comply in future.

A handwritten signature in black ink, appearing to read "E. J. O'Connell", with a horizontal line underneath the name.

Signed on behalf of TT Club Mutual Insurance Limited

5 April 2023

# Report of the external independent auditors to the Directors of TT Club Mutual Insurance Limited (“the Company”) pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

## Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

### Opinion

We have audited the following documents prepared by the Company as at 31 December 2022:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022, (**‘the Narrative Disclosures subject to audit’**); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 (**‘the Templates subject to audit’**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **‘relevant elements of the Solvency and Financial Condition Report’**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The ‘Summary’, ‘Business and Performance’, ‘System of Governance’ and ‘Risk Profile’ elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**‘the Responsibility Statement’**).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- Testing management’s key assumptions within management’s future forecasts, such as premium volumes and rates, net loss ratios, and investment returns;

- Assessing the company's current liquidity and capital solvency position, in addition to management's forecasts over liquidity and solvency; and
- Confirming the existence of cash and financial investment balances to assess the availability of liquid assets.

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 Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the 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.

### **Emphasis of Matter - Basis of Accounting**

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report 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 in this regard.

## **Responsibilities of Directors for the Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report 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 it 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 decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

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 Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the Solvency and Financial Condition Report such as the valuation of the Company's technical provisions and solvency capital requirement. Audit procedures performed 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 Prudential Regulation Authority and the Financial Conduct 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;
- Testing the valuation of the Company's technical provisions and solvency capital requirement;
- 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 Solvency and Financial Condition Report. 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 is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
United Kingdom

5 April 2023

## A. Business and Performance

### A.1 Business

#### **A.1.1 Corporate information**

TTI is incorporated in England and Wales as a company limited by guarantee without share capital. TTI's parent undertaking is Through Transport Mutual Insurance Association Limited ("TTB").

TTB is registered in Bermuda as a company limited by guarantee without share capital. TTB is incorporated in Bermuda under the Through Transport Mutual Insurance Association Limited Consolidation and Amendment Act 1993 as an exempted company.

Collectively TTB and TTI form "TT Club" and in this document are also referred to as "the Club" or "the Group".

TTI is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA is located at the 20 Moorgate, London EC2R 6DA, United Kingdom and the FCA at 12 Endeavour Square, London E20 1JN, United Kingdom.

TTB is regulated by the Bermuda Monetary Authority ("BMA"). The BMA is located at BMA House, 43 Victoria Street, Hamilton HM12, Bermuda.

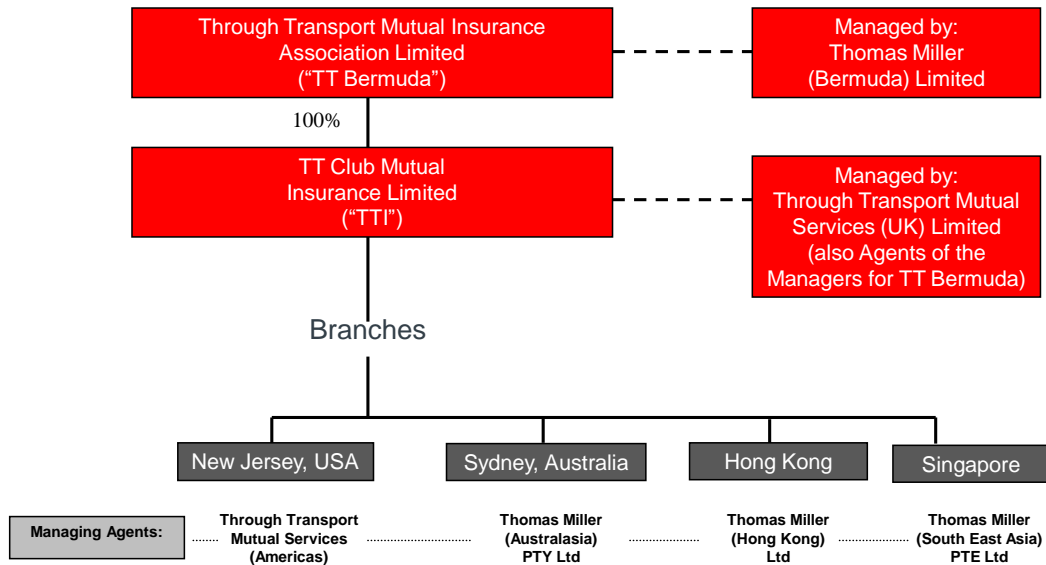
The external auditor of both TTI and TTB is PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT, United Kingdom.

#### **A.1.2 Group structure**

TTB controls 100% of the voting rights of TTI with TTB's and TTI's policyholders controlling 100% of the voting rights in TTB.

The Group operates as a single business. Some 90% of gross written premiums generated by the Group are written by TTI, where all mutual policyholders of TTI are also Members of TTB. The policyholders therefore hold all voting rights of TTB and the Group.

The Articles of Association of TTI and the Bye-Laws of TTB are very similar and the terms and conditions of insurance of the two Associations are identical. The group structure is as follows:



### A.1.3 Business Mission and Strategy

#### Mission

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

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. Primarily this will be done by providing the membership with best in class claims, underwriting and loss prevention services.

#### Guiding Principles

In order to deliver the Club's mission, including in particular preserving the Club's independence as a mutual entity, the Club will:

- **Deliver the capital strength and financial performance** required by regulators, rating agencies and Members. In the case of the Club's rating agency this means maintaining the Club's current A-minus (Excellent) rating with AM Best
- **Focus on achieving measured organic growth** from the Club's core growth segments as the way to manage the Club's loss ratio and expense ratio within the Board's identified risk appetites.
- **Manage the Club's cost base** both to control the expense ratio and to ensure the necessary investment is made so that the Club has the quality of staff and systems it needs to deliver its product to Members.
- **Develop the relationship with the Club's Manager**, Thomas Miller and, as appropriate, with other businesses managed by Thomas Miller better to prepare the Club to meet the challenges of insurance market conditions and the impact new technologies will have on the business models of Members, brokers and competitors.

## A.2. Underwriting Performance

### A.2.1 The Club underwriting results

The table below shows a summary of the technical account extracted from the Club's consolidated financial statements.

	<b>2022</b>	<b>2021</b>
	<b>US\$000s</b>	<b>US\$000s</b>
Gross written premium	283,343	262,987
Ceded written premium	(62,912)	(70,453)
Gross UPR movements	(6,805)	(14,779)
Ceded UPR movements	(7,123)	5,869
<b>Net earned premiums</b>	<b>206,503</b>	<b>183,624</b>
Net claims incurred	(125,217)	(121,628)
Net operating expenses	(62,997)	(66,873)
<b>Net underwriting result</b>	<b>18,289</b>	<b>(4,877)</b>

The Club made a consolidated underwriting surplus of US\$ 18.3 million in 2022 (2021: US\$ 4.9 million deficit) on a UK GAAP basis.

The growth in the Club's gross written premium during 2022 was driven by the post-pandemic surge in freight volumes from both renewals and new business. The organic volume growth in Members' renewals was 17.6% (2021: 13.1%), albeit partially offset by premium rate reductions of -4.7% (2021: -3.2%) from discounts being offered. In terms of premium volumes, US\$ 13.8 million (US\$ 15.7 million) of new business was generated, although offset by US\$ 11.3 million (2021: US\$ 5.5 million) of lost business. The Members' retention count by policy for 2022 was 93.7% (2021: 97.0%).

The development of prior policy year claims during 2022 was higher than expected resulting in a strengthening of net prior year claims reserves and total margin of US\$ 9.6 million (2021: strengthening of US\$ 10.6 million).

The underwriting performance was good with the 2022 financial year combined ratio being 91% (2021: 100%).

## **A.2.2 TTI underwriting results**

The table below shows a summary of the technical account extracted from TTI's financial statements.

	<b>2022</b>	<b>2021</b>
	<b>US\$000s</b>	<b>US\$000s</b>
Gross written premium	250,307	245,578
Ceded written premium	(204,871)	(206,029)
Gross UPR movements	(2,118)	(13,784)
Ceded UPR movements	(441)	12,686
<b>Net earned premiums</b>	<b>42,877</b>	<b>38,451</b>
Net claims incurred	(12,014)	(11,710)
Net operating expenses	(29,329)	(27,244)
<b>Net underwriting result</b>	<b>1,534</b>	<b>(503)</b>

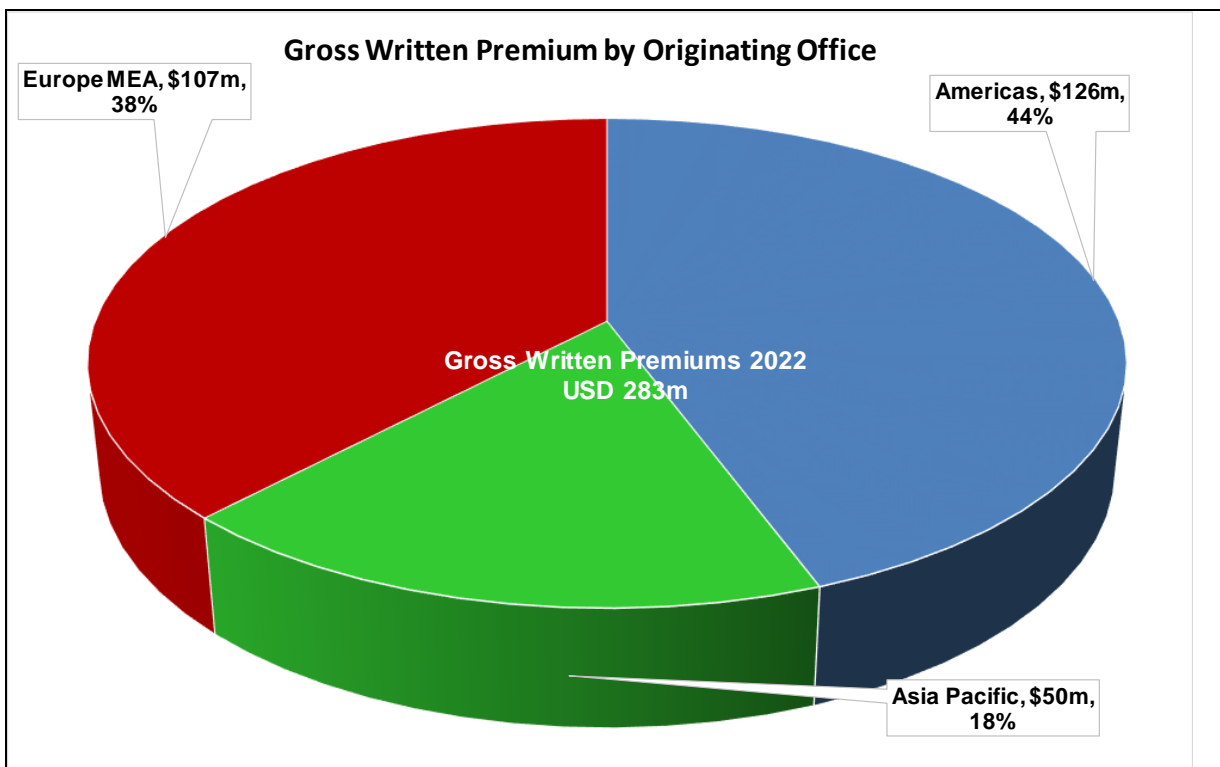
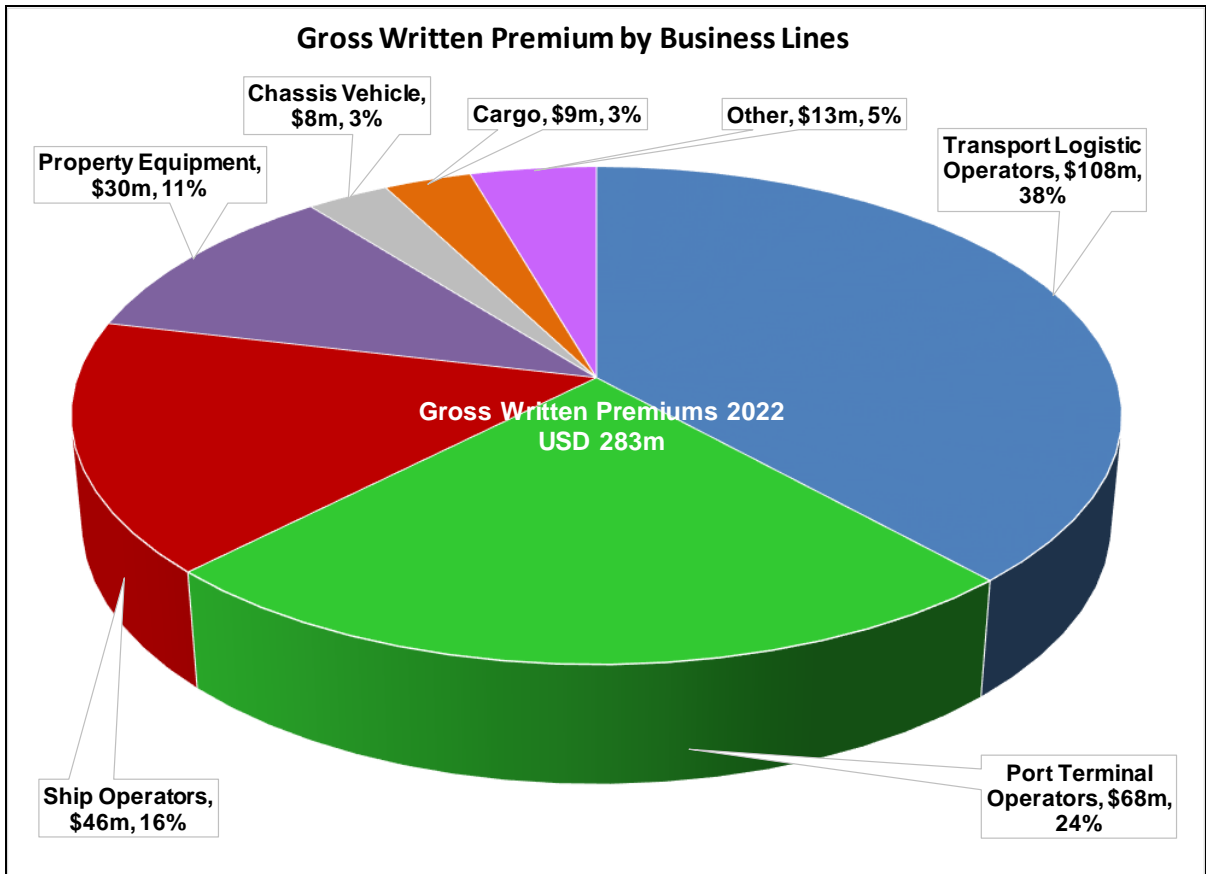
TTI made an underwriting surplus of US\$ 1.5 million in 2022 (2021: US\$ 0.5 million deficit) on a UK GAAP basis.

## **A.2.3 The Club's insured Members and business lines underwritten**

The Club's membership is drawn from three main categories of operator and underwrites the following lines of business:

- **Ship Container operators.** Cover offered for loss and damage to cargo, containers, carrying and handling equipment and third party liabilities arising out of faulty equipment;
- **Port and Terminal operators.** Cover offered for contractual and third party liabilities on loss and damage to cargo, containers, carrying and handling equipment as well as property damage and business interruption risks; and
- **Transport and Logistics operators.** Cover offered for contractual and third party liabilities on loss and damage to cargo, containers, carrying and handling equipment.

The split of 2022 gross written premiums by business lines and originating office where written is as follows:



For further information on TTI's underwriting performance by material line of business and geographical destination of insureds, refer to Quantitative Reporting Template ("QRT") s.05.01.02. and s.05.02.01 respectively which form part of the Club's annual regulatory reporting requirement.

The TTI split of gross written premiums by Solvency II line of business are shown in the following table:

Line of business	2022		2021	
	Gross written premiums US\$000s	%	Gross written premiums US\$000s	%
Marine, Aviation and Transport	143,569	57%	129,732	53%
General Liability	72,551	29%	74,825	30%
Fire and Other Damage to Property	24,232	10%	30,834	13%
Motor Vehicle Liability	9,955	4%	10,187	4%
Total	250,307	100%	245,578	100%

The TTI gross written premiums by destination based on policyholder domicile for home country (United Kingdom) and the top 5 other countries accounts for 55.9% of TTI's business (2021: 56.1%) and was split as follows:

2022			2021		
Country	Gross written premiums		Country	Gross written premiums	
	US\$000s	%		US\$000s	%
United Kingdom	12,614	5.0%	United Kingdom	12,590	5.1%
United States	73,515	29.4%	United States	75,776	30.8%
Hong Kong	20,816	8.3%	Hong Kong	17,726	7.2%
Australia	14,409	5.8%	Australia	12,939	5.3%
China	9,607	3.8%	Russia	11,096	4.5%
Denmark	8,918	3.6%	Spain	7,749	3.2%
Other countries	110,428	44.1%	Other countries	107,700	43.9%
Total	250,307	100.0%	Total	245,578	100.0%

#### **A.2.4 Risk mitigation**

The Club manages its gross underwriting risk profile through the maintenance of a number of risk appetite statements which enable an aggregated view of the risks underwritten by the Club. These statements cover the spread and balance of the risks underwritten by category/sector, region, policy limit and premium size.

For asset risks (property and handling equipment), the Club maintains a specific system to monitor aggregations globally. This is used in conjunction with mapping software in order to manage aggregations in areas exposed to natural catastrophes.

The Club has a comprehensive programme of outwards reinsurances to protect its exposures. Reinsurance arrangements are reviewed annually with reference to the Club's claims exposure limit profile and Realistic Disaster Scenarios.

Firstly, the Club has excess of loss reinsurance for US\$ 145 million in excess of US\$ 5 million each and every occurrence (with free and unlimited reinstatements), subject to an aggregate deductible of US\$ 5 million across all occurrences. This protects it against exposures to large or catastrophic claims.

Secondly, to protect its \$5 million per occurrence retention under the excess of loss cover, the Club had a 20% quota share reinsurance in 2022 to manage its residual exposure,

particular in relation to an increased number of claims. For 2023, the quota share cession was reduced to 15%.

Finally, there is an internal reinsurance that shifts 90% of TTI risks to TTB through a 90% quota share, which operates after all the external reinsurances described above. This internal reinsurance also includes a stop-loss protection where if TTI's net loss ratio (before the TTI 90% quota share to TTB) is between 105%-150%, then TTI would recover 100% of all such net losses within that corridor from TTB.

### A.3. Investment Performance

The Club's Investment Policy requires its Investment Mandate to be updated on a regular basis. The Club applies a liability-driven investment policy whereby the asset allocation established within the Mandate is determined to ensure the Club's future cash flow obligations arising from claim reserve liabilities are matched by available assets of the appropriate asset class, currency and duration.

Alongside those aims, the Club also strives to minimise the attendant risks arising from illiquidity, counterparty failure, interest rates and currency fluctuations. Effective risk management is the principal driver of investment allocation decisions.

Having established a matched portfolio under liability-driven investing aims, the Club allocates surplus assets the supports the capital base to asset classes in alignment with the Club's investment risk appetite. The Club seeks to achieve the best return available while limiting the risk accepted into the portfolio.

Factors that may influence future investment return are:

- Market performance – as affected by macro-economic, political or other factors.
- Capital allocation and risk profile – determining the risk accepted into the portfolio.
- Portfolio management – including asset allocation (both strategic and tactical).

#### A.3.1 Asset allocation

##### *Investment return*

The following table details the Club's investment return by asset class as reported in the Club's UK GAAP financial statements.

<b>Investment Returns</b>	<b>2022 US\$000s</b>	<b>2021 US\$000s</b>
Cash and deposits	573	6
Debt securities	(2,956)	4,121
Equities	(6,972)	13,631
Investment income	(9,355)	17,758
Investment management fees	(1,537)	(1,445)
Total	(10,892)	16,313

The Club's overall return on its investment funds was a -2.1% yield (2021: 3.0% yield).

All of the Club's investment return in 2022 and 2021 was recognised in its income statement.



In line with other London-market re/insurers, investment returns have been poor throughout 2022 owing to the prevailing macro environment. Successive interest rate rises in the US/UK/EU reduced bond valuations where the Club's investments are held, whilst the ongoing Ukraine/Russian conflict kept equity valuations suppressed.

The following table details TTI's investment return by asset class as reported in its UK GAAP financial statements.

<b>Investment Returns</b>	<b>2022 US\$000s</b>	<b>2021 US\$000s</b>
Cash and deposits	323	2
Debt securities	(2,950)	1,249
Investment income	(2,627)	1,251
Investment management fees	(154)	(343)
Total	(2,781)	908

### ***Asset allocation***

The following table details the Club's cash and investments by asset class as reported in the Club's UK GAAP financial statements.

<b>Investment Asset Class</b>	<b>2022 US\$000s</b>	<b>2021 US\$000s</b>
Cash at bank	58,774	52,053
Bonds	464,632	441,659
Equities	51,907	66,171
Derivative financial instruments	1,248	4
UCITS	10,424	8,636
Total	586,985	568,523

Throughout 2021 and 2022, the Club's asset allocations were approximately 80% in bonds, 10% in equities, with the remaining 10% in the other classes. As for currency denominations, this remained approximately 80% USD, with the remaining 20% in EUR and GBP. This currency profile closely mirrors that of claim liabilities and the capital base.

All bonds, cash and UCITS held by the Club are of high-quality investment grade and carry credit ratings of single A or higher. In terms of liquidity, the large majority of cash is immediately available, with UCITS being liquidated within a working week. To maintain a prudent liquidity position, the average duration on bonds ranged from 1.0 to 2.0 years throughout the period, which remained shorter than the average duration of claim liabilities of between 2.0 and 3.0 years.

The following table details TTI's cash and investments by asset class as reported in its UK GAAP financial statements.

<b>Investment Asset Class</b>	<b>2022 US\$000s</b>	<b>2021 US\$000s</b>
Cash at bank	52,109	36,243
Bonds	177,842	160,738
UCITS	9,700	2,636
Total	239,651	199,617

#### A.4. Performance of Other Activities

As noted in A.2. above, all of the Club's activities relate to its core business.

#### A.5. Any Other Information

##### **Conflict in Ukraine**

The business impact of the war in Ukraine has been significant, but has not materially impacted the Club's finances or its 2022 results. At the point the Board took the decision to run-off the Russian and Belarussian portfolios, the Club was writing US\$ 15 million of gross written premium across all lines of business in the affected areas and the Managers were tasked with conducting the run-off in an orderly fashion, but in as short a time as this could be achieved. This has largely been accomplished and as of the 2022 year end, only a small number of policies remain in force and will not be renewed when their terms expire.

The Club has continued to service the business being run-off in the professional manner expected in accordance with the Club's mutual mission, and in protection of the Club funds. The Managers have also looked throughout the year for opportunities to support the Club's relatively small number of Ukrainian Members, and indeed all Members impacted by losses as a result of the conflict. As will be expected, the conflict brought additional legal and regulatory complexity to the management of these accounts, as sanctions (including retaliatory Russian measures) and other legal developments required constant vigilance and action. To-date, the Club has navigated this challenging landscape effectively.

## B. System of Governance

### B.1. General Information on the System of Governance

#### **B.1.1 Overview**

The Boards direct, and have responsibility for, all activities of each Club. The Board Directors of both TTB and TTI are drawn principally from the policyholder Members, although both Boards include Directors who are not drawn from the membership. These Directors hold specialist knowledge or executive responsibilities.

The Board of TTB currently consists of 26 Directors, mainly drawn from the Club membership but also including two specialist Directors (one in relation to investments and one in relation to finance). The Board of TTI currently consists of ten Directors, including two specialist Directors (for finance and investments respectively) and two executive Directors (being the CEO and CFO).

The Boards have outsourced the day to day management of the Club to third party managers. Thomas Miller (Bermuda) Limited and Through Transport Mutual Services (UK) Limited, collectively “the Managers”, provide management services to TTB and TTI respectively.

The Directors consider the system of governance to be adequate given the nature, scale and complexity of the risks inherent to the Club. Further details on the Club’s key functions of risk management, compliance, internal audit and actuarial are included in sections B.3 to B.6.

The TTB and TTI Boards (the “Boards”) are supported by several committees.

#### **B.1.1.1 Committee Structure**

##### **a. TTB Audit and Risk Committee (“TTB ARC”)**

TTB ARC is responsible for monitoring the Club’s risk management system and risk profile against the Board’s risk appetite. The Committee oversees the risk function to ensure that risks are properly identified and assessed. It receives reports from the Director of Risk and Compliance in respect of new or emerging risks or changes to existing risks. TTB ARC also reviews the Own Solvency and Risk Assessment and recommends it for Board approval.

TTB ARC considers the internal control framework designed to mitigate identified risk and directs the internal audit function when assessing the effectiveness of these controls. TTB ARC also considers the internal audit plan, and receives internal and external audit reports.

##### **b. TTI Audit and Risk Committee (“TTI ARC”)**

TTI ARC performs the same duties for TTI that TTB ARC performs for the Group.

##### **c. TTB and TTI Nominations Committees**

The Nominations Committees of TTB and TTI ensure that the Boards of TTB and TTI continue to be composed of suitably qualified and skilled individuals, including the appointment of specialist directors. They also make recommendations to ensure that the Committees of the Boards of TTB and TTI are composed of individuals appropriate to the respective roles.

**d. TTB Management Committee**

The Management Committee is a committee of the TTB Board formed 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.

**e. TTB Investment Committee**

The Investment Committee makes recommendations to the TTB Board in respect of the Investment Mandate and reviews in detail the performance of the investment portfolio.

**f. TTB Discretions Committee**

The TTB Discretions Committee was established to exercise discretions vested on the Directors of TTB pursuant to the Club Wordings. This is in relation to coverage disputes with members. The TTB Discretions Committee comprises the Directors of TTB who are also Directors of TTI and the Deputy Chairman of TTB.

**g. TTI Discretions Committee**

The TTI Discretions Committee was established to exercise discretions vested on the Directors of TTI pursuant to the Club Wordings. This is in relation to coverage disputes with members. The TTI Discretions Committee comprises the non-executive Directors of TTI.

**h. TT Senior Management Committee**

The TT Senior Management Committee is the senior committee in the executive governance structure and primarily supports the Chief Executive Officer in fulfilling responsibilities to the TT Club Boards and Committees. It performs a coordinating, monitoring and reporting function with decision making powers being escalated to the Board as appropriate. This committee is supported by 3 sub-committees – the Reserving Committee, Data Quality Committee and Executive Risk Committee.

**Material changes**

There were no material changes to the Club's system of governance during 2022.

**B.1.1.2 Outsourcing**

As noted in B.1.1 the Club outsources all functions, including controlled functions, to the Managers. The management outsourcing has been structured in compliance with relevant regulatory obligations and subject to Management Agreements.

The Boards maintain an Outsourcing and Third Party Risk Management policy which sets out the controls in place in relation to the Management Agreements and all other outsourcing arrangements.

The Managers provide a governance framework to facilitate delivery of the Club's Business Plan whilst managing risks in accordance with the Club's risk management framework. The Managers operate through several committees and working groups, all of which report to the TT Senior Management Committee. These committees include: reserving, data quality and executive risk. Working groups comprise underwriting management; underwriting sales, regional claims, claims management; policy and wordings.

Further detail on outsourcing is set out in section B.7.

### **B.1.1.3 Key Functions**

#### **a. The Managers**

The Club has no employees and as such the Boards rely on the Managers for the day-to-day management duties of the Club. The functions and responsibilities of the Managers are set out in the Management Agreements between the Managers and TTB and TTI.

The Boards may delegate a wide range of powers, duties and discretions to the Managers on such terms as it sees fit. The Managers have two executive Directors on the Boards of TTB and TTI respectively.

#### **b. The Investment Managers**

Investment of the Club's funds is conducted by the Investment Managers in accordance with the Board's Investment Policy and is subject to the Board's Investment Mandate and internal compliance procedures.

The functions and responsibilities of the Investment Managers are set out in the Management Agreements between the Investment Managers and the Clubs.

#### **c. Management Responsibilities map**

The Club maintains a management responsibilities map that details the key Senior Manager Functions and Certified Functions. Per the management responsibilities map, the following functions are maintained with a prescribed set of responsibilities.

For TTI these are performed by:

- Chairman (Board)
- Group Entity Senior Manager/Deputy Chairman (Board)
- Chief Executive Officer (Managers)
- Chief Financial Officer (Managers)
- Chairman of Audit and Risk Committee (Board)
- Chief Actuary (Managers)
- Chief Risk Officer (Managers)
- Chief Underwriting Officer (Managers)
- Chief Claims Officer (Managers)
- Chief Operating Officer (Managers)
- Chief Investment Officer (Managers)
- Compliance Officer (Managers)
- Head of Internal Audit (Managers)

### **B.1.2 Remuneration**

Since the management of the Club is outsourced to the Managers, all employees are employed by the Managers.

In accordance with the Management Agreements, the Club pays a single management fee to the Managers for the services they provide. This management fee covers the Board approved budgeted costs of managing the Club, a fixed profit element, and a variable incentive fee based the Club's overall net result. The basis of the management fee is agreed by the Board and reviewed periodically.

The Managers are responsible for executive recruitment and performance management, ensuring that all staff have and maintain the relevant skills, knowledge and expertise necessary to perform their roles and responsibilities.

The Managers operate a formal performance and merit based remuneration policy aimed at paying competitive and appropriate remuneration, consistent with the long term interests of the business.

### **B.1.3 Related party transactions**

The Club has no share capital and is controlled by the Members who are also policyholders. All of the policyholder Directors are representatives of Member companies and other than the insurance, which is arranged on an arm's length basis between the Member companies and the Club, the Directors have no financial interests in the Club.

### **B.1.4 Adequacy of the system of governance**

The Directors consider the system to be adequate given the nature, scale and complexity of the risks inherent to the Club.

### **B.1.5 Reporting lines and responsibilities**

The reporting lines for the Senior Management team are as follows:

<b>Individual reference number (IRN)</b>	<b>Name</b>	<b>Regulatory Status</b>	<b>Reporting line</b>
CEF01034	Charles Fenton	Chief Executive <b>SMF 1 (Chief Executive, PRA), SMF 3 (Executive Director, FCA)</b>	Chair of TTI and TTB
KXK11403	Kevin King	Deputy Chief Executive <b>(Certification function)</b>	Chair of TTI, CEO and TTB
EXO00059	Eelain Ong	Chief Finance <b>SMF 2 (PRA), SMF 3 (Executive Director, FCA)</b>	CEO
MXA33946	Mark Argentieri	Chief Operations <b>SMF 24 (PRA)</b>	CEO
DJL01289	David John Lumby	Chief Underwriting Officer <b>SMF 23 (PRA)</b>	CEO
RXK09298	Robert Kempkens	Chief Claims <b>SMF18 (Other overall responsibility, FCA)</b>	CEO
KXB00395	Kevin Blunsum	Chief Technology Officer <b>SMF 24 (PRA)</b>	CEO
IGR01012	Ian Gary Rosenthal	Compliance Oversight <b>SMF 16 (FCA)</b> Compliance key function <b>(PRA)</b> Chief Risk <b>SMF 4 (PRA)</b> <i>PR T-2</i>	Chair Audit and Risk Committee (and CFO for administration purposes)
AXH20088	Angela Holder- Holdsworth	Head of Internal Audit <b>SMF 5 (PRA)</b>	Chair Audit and Risk Committee

PXP10720	Pritti Patel	Chief Actuary <b>SMF 20 (PRA)</b>	CEO
MXC07177	Mike Carroll	Money Laundering Reporting Officer <b>SMF 17 (FCA)</b>	CEO

### **B.1.6. Board remuneration**

Directors are paid an annual fee and a meeting attendance fee for each meeting. There are no variable components to the Directors' remuneration.

Executive Directors who are employed by the Managers are not entitled to any Directors' fees.

## **B.2. Fit and Proper Requirements**

The Club has in place a Fit and Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the Club. Further details of the Clubs' governance structure, including key function holders, is set out above in sections B.1.1.3 and B.1.5.

The Fit and Proper Policy is reviewed annually and is approved by the Boards. It is owned by the Chief Executive Officer and incorporates the requirements of the Senior Managers & Certification Regime (SM&CR). The policy applies to:

- Directors;
- Senior executives who effectively run the Club, comprising Senior Manager Functions approved under SM&CR; and
- Persons responsible for key functions, being those notified and certified under SM&CR.

### **B.2.1 Fitness**

All persons within the scope of the Fit and Proper Policy must have professional qualifications where applicable, knowledge and experience, and demonstrate the sound judgement necessary to discharge their areas of responsibility competently. This applies both at the time of their appointment or employment and on a continuous basis to meet the changing or increasing requirements of their particular responsibilities and the business in general.

The level of fitness must be appropriate and proportionate to each person's role, tasks and responsibilities.

#### **a. The Directors**

In addition to individual Directors meeting their respective Fitness requirements, the Boards are to be composed in a way to ensure that their members collectively possess and continue to possess sufficient knowledge, competence and experience of:

- (i) the insurance and financial markets in which the Club operates;
- (ii) the Club's business model and business strategy;
- (iii) the Club's system of governance;
- (iv) the financial and actuarial analysis of the Club's data; and
- (v) the regulatory frameworks and requirements under which the Club operates.

#### **b. Executive Management**

The Managers maintain role specifications for all executive roles that are within the scope of this Policy which detail the key competencies and duties for each position. All persons to whom this Policy applies are required to have the appropriate and

designated competencies for their positions.

The SM&CR rules do not require specific qualifications for persons engaged by the Club (as it is a wholesale general insurer), but these may nonetheless be required to fulfil a particular role.

### ***B.2.2 Propriety***

All persons who are within the scope of the Policy are subject to a propriety assessment. This includes consideration of that person's character, personal behaviour and business conduct including any criminal, financial, supervisory aspects regardless of location.

The assessment includes any relevant evidence such as:

- criminal offences, including offences under the laws governing insurance activity, fraud or financial crime;
- disciplinary or administrative offences under legislation relating to companies, bankruptcy, insolvency or consumer protection;
- current investigations or enforcement actions by any relevant regulatory or professional body for non-compliance with any relevant provisions; and
- any other criminal offences that cast doubt on the integrity of the person.

### ***B.2.3 Approach to assessment***

All persons who are within the scope of the Policy are assessed against individual and collective Fitness requirements and Propriety standards. The purpose of the fit and proper assessment is to ensure that the person who is holding or may hold a position:

- has the qualities to perform their duties (competence, character, diligence, honesty, integrity and judgement);
- does not have a conflict of interest or avoids, to the extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest; and
- is not otherwise disqualified from holding the position.

Fitness includes an assessment of the person's management and/or technical competences required for the role based on qualifications, knowledge, experience and the demonstration of due skill, care, diligence and compliance with relevant standards (as applicable).

Propriety includes an assessment of the persons' reputation and past conduct.

## **B.3. Risk Management System**

### ***B.3.1 Overview***

The Clubs have established a robust risk management system appropriate for the risks to which the business is or could be exposed.

The Clubs' risk management system provides an integrated approach to risk management and the application of the three lines of defence:

- First line of defence: business units and all staff not included in the second and third lines of defence, process and risk owners, overseen by the Boards,
- Second line of defence: risk management and compliance functions, overseen by the Audit and Risk Committees and the Boards,
- Third line of defence: internal audit, overseen by the Audit and Risk Committees and the Boards,

The overall risk management system includes:



- a clearly defined and well-documented risk management strategy;
- appropriate processes and procedures;
- appropriate reporting procedures;
- reports on the material risks faced by the Club and on the effectiveness of the risk management system; and
- policies or frameworks (see section B.3.2 below)

The risk management system maintains a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities will be exercised.

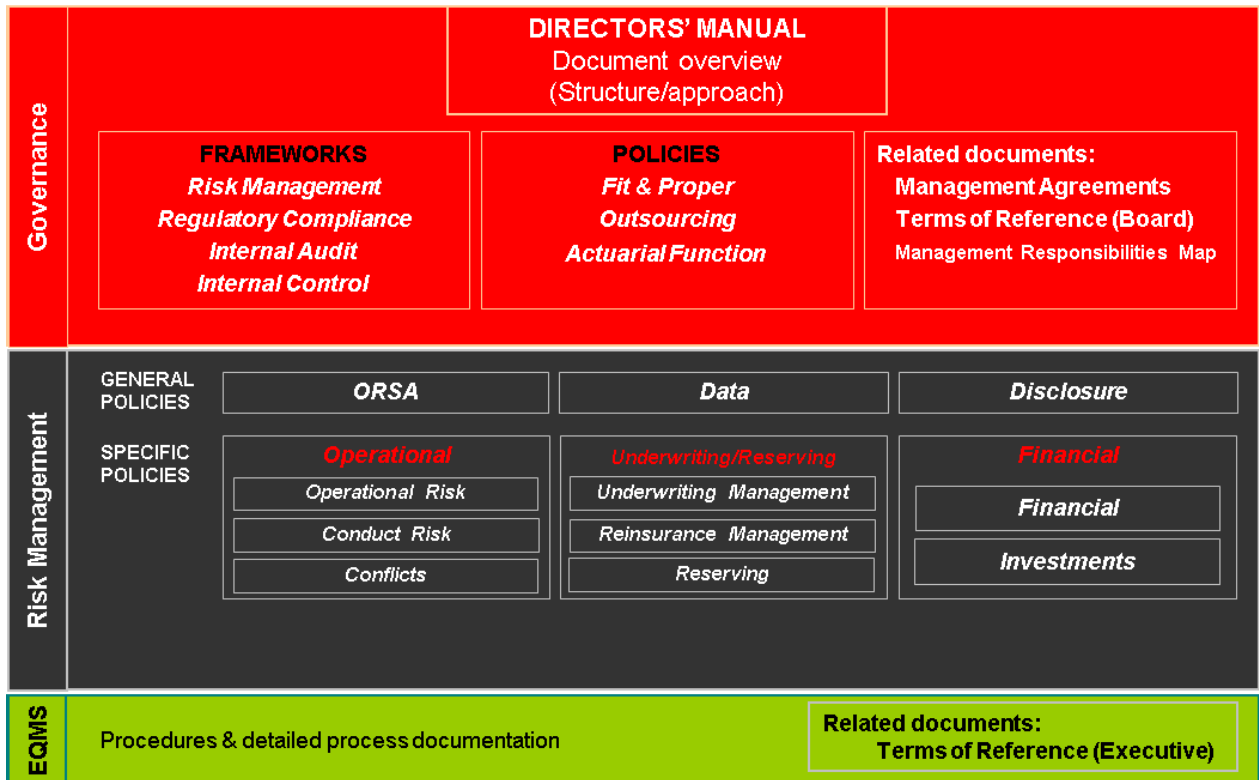
The core elements of the risk management system are set out in the following sections.

### B.3.2 Risk Policies

The risk policies define the Club’s approach to the risk universe inherent in the business and establish the controls, procedures, limits and escalation to ensure that the risks are managed in line with the risk appetite.

A depiction of the structure of the Clubs’ governance and risk documentation is as follows:

#### TT Club Governance and Risk Documentation Matrix



“EQMS” is the Managers’ Electronic Quality Management System which holds all the Club’s process documents.

The governance and risk documentation is reviewed at least annually, and amendments approved as required by the Audit and Risk Committees and the Boards.

The Risk Management Framework is central and describes key aspects of the risk management process implemented by the Club to provide reasonable assurance regarding the achievement of its business plan objectives and identifies the main review and reporting

procedures. It is further supported by policies covering individual risk categories and the Club's Internal Control Framework.

### ***B.3.3 Risk Appetites***

Risk appetites are used to define the amount of risk that the Club is willing to accept in pursuit of value. The Boards determine the appropriate risk appetites aligned to the Club's business plan objectives. The high-level Risk Appetite Statements are reviewed as part of the business planning process and set out in the business plan.

The Risk Appetite Statements are owned by the Boards and reviewed on a regular basis as new risks emerge, and at least annually. The statements articulate the key risks arising from the Club's strategic objectives and the targets and tolerances in respect of the operations of the business in pursuit of these targets.

Performance against the risk appetite statements is reviewed by the Boards as part of the financial planning item at each meeting, using data to support decision-making processes. Reporting mechanisms ensure that the Boards are aware of movements, exceptions and breaches in relation to risk appetite statements.

Consideration of new or modified initiatives and business plan objectives is made in the context of the existing risk appetite statements.

The Audit and Risk Committees support the Boards by providing oversight of the Risk Management Function. The Director of Risk and Compliance in conjunction with the Managers' Executive Risk Committee fulfils the role of the Club's Risk Management Function and oversees risk management, provides independent challenge, and has direct access to the Chairmen of the Audit and Risk Committees.

### ***B.3.4 Risk Log***

Risks to the business that could inhibit the Club achieving its objectives are described and categorised in the Club's Risk Log, together with the consequences should a risk materialise. Potential root causes of the risk materialising as well as mitigation and controls implemented to prevent, detect or mitigate are listed alongside. The risks are assessed and monitored on an ongoing basis.

The list of risks included in the Risk Log has been compiled by the Boards and senior management of the Club based on their experience and expert judgement in running the business. These comprise the universe of risks faced by the business which, individually or in combination, may have a material impact on the Club.

A separate Emerging Risk Log is maintained and reviewed regularly; if any such risk materialises, it is added to the Risk Log and its impact on the Club assessed. Where necessary, scenario testing is conducted to understand the impact of the emerging risk.

Individual risks are allocated to Risk Owners within the Senior Management Team. The Risk Owners are the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Underwriting Director and Claims Director.

In order to maintain an accurate register of the risks the Club faces or may face in the future, the Risk Owners monitor internal and external data feeds and information for emerging risks and deterioration of or change in risks already identified.

Their findings are reported to, and reviewed by, the Director of Risk and Compliance for inclusion in the Risk Log as appropriate. The Director of Risk and Compliance reports all

proposed changes to the Audit and Risk Committees, who then make an assessment and recommendation to the Boards for approval.

Internal loss events and near misses are reported to the Director of Risk and Compliance who reports such events to the Managers' Executive Risk Committee. Any matters of significance are then reported to the Audit and Risk Committees, and monitored for correlations, trends and contagion.

The Risk Log is reviewed regularly by the Managers and at least annually by the Audit and Risk Committees and submitted for approval by the Boards.

Risks identified in the Risk Log are categorised as follows:

- Strategic
- Underwriting/Reserving
- Financial
- Operational
- Regulatory Compliance

All risks on the Risk Log are assessed on an ongoing basis and at least annually by the Managers and by the Audit and Risk Committees.

### ***B.3.5 Own Risk and Solvency Assessment (“ORSA”)***

The Club prepares an ORSA overview report at least once each year. The ORSA is the process used by the Club to manage its financial and solvency position over the period of its Business Plan. The ORSA overview report provides a summary of this process and is approved by the Boards. As such, it is an intrinsic part of the Club's business planning process.

The key elements of the ORSA process are:

- An analysis of the Club's recent performance
- Assessment of the Club's risk profile
- Consideration of business planning and stress scenarios

The Audit and Risk Committees review the ORSA and recommend it for approval and use by the Boards.

The Boards review the ORSA and consider appropriate action such as:

- Capital related decisions
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions
- Analysing key business decisions
- Assessing the effectiveness of reinsurance

The assessments to date indicate that the Club is sufficiently capitalised.

## **B.4. Internal Control System Including the Compliance Function**

Internal control is defined as a continually operating process effected by the Boards, the Audit and Risk Committees, the Managers, all staff and systems and designed to support the Club in achieving its Business Plan objectives through efficient and effective operations and to protect its resources.

Each Risk Owner is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

#### ***B.4.1 Control activities***

Control activities are the actions taken or systems put in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed. The control activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

The nature of the controls implemented and the level of control exercised are based on the assessment of frequency and impact of the risk, the Club's risk appetite and the cost of implementing controls relative to the significance of the risk.

The following controls are examples of the internal control framework:

- Policies and procedures
- Management information
- System embedded controls
- Premises and system security
- Segregation of duties
- Management review
- Information processing
- Validation and reconciliation
- Recruitment, performance management and training
- Contingency plans

The Internal Control Framework as a whole and internal control processes individually are monitored on an ongoing basis through the following mechanisms:

- Performance indicators
- External data
- Analyses and reconciliations
- Regulatory compliance monitoring audits
- Internal audits
- Procedure monitoring audits

Reports are made to the Audit and Risk Committees and the Club's Boards evaluating the design and operational effectiveness of the Internal Control Framework, processes and procedures on an ongoing basis, following up on deficiencies and advising on areas for improvement.

#### ***B.4.2 Control environment***

The Managers are responsible for establishing and maintaining an effective control environment throughout the organisation. In furtherance of that, there is a culture which values the highest levels of integrity in the staff, together with openness and honesty in relation to the conduct and reporting of all activities. Policies, procedures and processes are designed to define and support effective, efficient and appropriate activities at every level of the business.

In order to help ensure that the Club's business plan is achieved or surpassed when the opportunity arises, risks are considered and assessed on a regular basis and proportionate and cost-effective controls put in place to prevent, detect and mitigate crystallisation or to maximise opportunities when they occur. The Internal Audit function considers and tests these as part of its rolling audit plan (see section B.5 below).

Reporting procedures ensure that information relating to regulatory compliance risk is reported through the business. Management Information is actively monitored and assessed by the Compliance Function, the Senior Management Committee, the Audit and Risk Committees and the Boards.

#### ***B.4.3 Compliance function***

The Compliance Function reports regularly to the Senior Management Committee and to the Audit and Risk Committees in order to identify, assess, monitor, report and manage the regulatory compliance requirements and risks to which the Club is exposed.

The Audit and Risk Committees will seek assurance and provide, through the processes set out in the Regulatory Compliance Framework or through internal audit, assurance to the Boards that the scope and quality of the Managers' compliance monitoring and reporting on regulatory compliance are sufficient to ensure the effectiveness of this framework and of the management of regulatory compliance risk. All reviews are carried out at least annually and ad hoc as circumstances require.

The Compliance Function advises on and promotes compliance with applicable laws, regulatory requirements and administrative provisions and coordinates and monitors implementation of policies, processes and procedures to achieve compliance across the business, and manages regulatory compliance risk.

Regulatory developments are monitored for impact on the Club by the Compliance function. Any amended or new regulations that have a material impact on the Club are recorded in the Regulatory Compliance Manual. Monitoring consists of checks to ensure that required actions are being/have been taken and that policies, processes and procedures are being complied with. The results are logged, reported on to stakeholders and remedial action agreed and implemented as appropriate.

Breaches and associated remedial action are posted to the Operational Risk Database. The Compliance Function will alert any regulatory breach, including where applicable, the cause, effect and recommended remedial action, to the Managers' Risk Committee which will approve the remedial action. Material breaches and breaches that must be reported to regulators on a mandatory basis will be reported to the Audit and Risk Committees and the Boards.

### **B.5. Internal Audit Function**

Internal Audit is the "third line of defence" in a company's internal control framework, established to provide independent assurance that the business controls set up by management ("first line") and the monitoring and oversight provided by the Risk Management and Compliance Functions ("second line") are working effectively.

The objectives of the Internal Audit Function are to provide assurance that business risks are recognised and are being well managed and controlled by effective systems and controls.

The internal audit function is provided by the Managers although many of the audits are performed by a professional firm able to access the necessary variety of skills.

### ***B.5.1 Independence***

The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business.

### ***B.5.2 Development of plans***

A dynamic three year rolling plan of audit reviews is developed for and approved by the Audit and Risk Committees. The plan is reviewed, reassessed and reapproved on at least an annual basis by the Audit and Risk Committees in order to ensure that it remains consistent with proposed and/or actual changes in business strategies, new developments and/or plans, as well as changes in risk profile and emerging risks.

### ***B.5.3 Planning***

The Internal Audit Function prepares an Audit Planning Memorandum (“APM”) for each audit, including a budget based on the time required for the audit, with input from management, any third party contractor and the Audit and Risk Committees. The APM is signed off by the specialist non-executive Director on the TTB Audit and Risk Committee.

### ***B.5.4 Execution and Reporting***

The audit team is responsible for conducting the fieldwork investigation and testing with assistance from the Internal Audit Function on request. The Internal Audit Function will discuss any findings as they arise with management to ensure that any misunderstandings or queries are dealt with as soon as possible.

## **B.6. Actuarial Function**

The Boards are ultimately responsible for ensuring an effective Actuarial Function. This function is performed by the Thomas Miller Actuarial Team, led by its Chief Actuary.

The Actuarial Function is independent of the Club’s management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Club’s internal control system through its role on the Managers’ committees and attendance at Board meetings.

The Actuarial Function undertakes all responsibilities as required by Solvency II, including:

- coordinating and overseeing the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- informing the Boards of the reliability and adequacy of the calculation of technical provisions and the underlying data;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system including capital requirements and the ORSA process.

The Club’s Actuarial Function compiles a suite of Actuarial Function holder reports for the Boards on an annual basis.

## B.7. Outsourcing

Reference is made to sections B.1.1 and B.1.1.2 in relation to the Club's Outsourcing and Third Party Risk Management policy, and the controls in place in relation to the Management Agreements and all other outsourcing arrangements. The remainder of the Outsourcing and Third Party Risk Management Policy is directed at services or activities which are particularly important or critical to the Club's business, being material business activities.

A material business activity is one that has the potential, if disrupted, to have a significant impact on the Club's business operations or its ability to manage risks effectively.

Material business activities include the key functions of the Club's system of governance, i.e. Risk Management, Compliance, Actuarial and Internal Audit as applicable, and all functions or activities that are fundamental to enable the Club to carry out its core business, including underwriting, claims handling and investments.

### ***B.7.1 Management outsourcing***

The Club has no employees nor internal executive function as its management is wholly outsourced to Through Transport Mutual Services (UK) Limited and Thomas Miller (Bermuda) Limited (the "Managers") under Management Agreements.

In order to comply with its regulatory obligations, the Boards have developed monitoring and reporting procedures and have delegated to the Audit and Risk Committees to monitor internal controls and risk. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the Management Agreements. The Committees report to the Boards.

### ***B.7.2 Investment management outsourcing***

Management of the Clubs' investments is outsourced to Thomas Miller Investment Limited and Thomas Miller Investment (IOM) Limited, part of the Thomas Miller group, under investment management agreements.

The performance of the investment managers is monitored and supervised by the Boards and the Investment Committee.

### ***B.7.3 Internal audit outsourcing***

The Club's internal audit function is outsourced to Thomas Miller Internal Audit. Internal Audit is supervised by the Audit and Risk Committees and the Boards.

### ***B.7.4 Oversight***

The Boards bear ultimate responsibility for outsourced functions, services, or activities and related governance. The Boards are supported by the Audit and Risk Committees which review outsourcing arrangements and the Managers' Senior Management Committee which monitors the activities of the business, including outsourcing.

## B.8. Any Other Information

The Club considers there is no further material information to be disclosed.

## C. Risk Profile

The key areas of risk impacting the Club can be classified as follows:

1. Insurance risk – incorporating underwriting and reserving risk
2. Market risk – incorporating investment risk, interest rate risk and currency rate risk
3. Credit risk – being the risk that a counterparty is unable to pay amounts in full when due
4. Liquidity risk – being the risk that cash may not be available to pay obligations as they fall due
5. Operational risk – being the risk of failure of internal processes or controls.

The Boards have established risk appetites in relation to the Club's business strategy and available resources. The Boards seek to maximise its resources by effective risk management techniques. Therefore a risk management system has been developed to identify and mitigate risk.

Section E2 includes a breakdown of TTI's Solvency Capital Requirement by risk type.

### C.1. Insurance Risk (Underwriting and Reserving)

The Club is a marine and transport insurer, underwriting cargo, transport and logistics risks in relation to asset and liability exposures for members and third party obligations.

Underwriting risk is the risk that the Club's net insurance obligations (i.e. claims less premiums) are different to expectations arising from premium price (in)adequacies. The Club considers the Claims risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed in accordance with the Club's reserving policy. The 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. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by management, the Audit and Risk Committees, and challenged extensively by the external auditors.

The Boards consider that the expected liability established for insurance claims recognised in the consolidated statement of financial position is adequate. However, actual experience will differ from the expected liability outcomes.

Premium risk is managed in accordance with an underwriting management policy which establishes robust underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach undertaken as part of the Club's ORSA process.

Underwriting risk is most sensitive to an increase in expected claims costs. The key risk mitigation in relation to underwriting risk is TTI's reinsurance programme and in particular its reinsurance with TTB (see section A.2.1). Given the reinsurance programme in place with TTB, TTI has a very lower exposure to underwriting risk and, as a consequence, sensitivity to this risk.

The impact of a change in a single factor is shown as a 1% increase or decrease in net claims reserves, with other assumptions unchanged.



	2022 US\$'000	2021 US\$'000
1% increase in net claims reserves will increase deficit before tax by	(311)	(282)
1% decrease in net claims reserves will decrease deficit before tax by	311	282

## C.2. Market Risk

Market risk arises through fluctuations in market valuations, interest rates, corporate bond spread credit ratings against sovereign bond credit ratings, and foreign currency exchange rates. Such movements will affect not only the Club's investments, but also the value of other assets and liabilities such as premium income, claims payments, brokerage payments, commission income and reinsurance claim recoveries.

The Club has an Investment Mandate in place to manage exposures. Its investment performance is monitored by regular reports from the Investment Managers. Further discussion of this arrangement is provided below under the "prudent person principle".

### *The prudent person principle*

Under the Club's Investment Policy, all investments are invested and managed in accordance with the 'prudent person principle', meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims.

The assets are invested on the following basis:

- only in assets and instruments where risks can properly be identified, measured, monitored, managed, controlled and reported;
- in such a manner as to ensure the security, quality and liquidity of the portfolio as a whole;
- in a manner appropriate to the nature, currency and duration of the Club's insurance liabilities;
- the use of derivative instruments are possible insofar as these contribute to a reduction of risks or efficient portfolio management;
- investments and assets which are not admitted to trading on a regulated financial market are kept to within Risk Appetite levels;
- properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risks in the portfolio as a whole.

The Club's funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the Club's investment assets in conformity with the business and investment objectives and sets the parameters within which the Club's assets may be invested. It is modified, considered and approved by the Boards on an annual basis and ad hoc as required and is subject to the Club's Investment Policy. The Investment Managers report to the TTB Board at each meeting.

### *Interest rate risk*

Interest rate risk arises primarily from TTI's 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. The key mitigation in relation to interest rate

risk is TT Club's investment policy, which is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholder liabilities

The impact of a change in a single factor is shown as a 100 basis points increase or decrease in interest rates on the market value of investments, with other assumptions unchanged.

	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
100 basis points increase in interest rates will decrease market value of investments by	(3,102)	(2,700)
100 basis points decrease in interest rates will increase market value of investments by	3,102	2,700

#### *Currency risk*

TTI 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 TTI is exposed to are GBP and EUR, which are translated into the functional currency of USD. The key mitigation in relation to currency risk is addressed by TTI matching the currency denominations of financial investments against the estimated foreign currency denominations of liabilities.

The impact of a change in a single factor is shown as a 5% weakening or strengthening in GBP and EUR against USD on the surplus/deficit before tax, with other assumptions unchanged.

	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
5% weakening of USD against GBP will decrease deficit before tax by	260	250
5% strengthening of USD against GBP will increase deficit before tax by	(260)	(250)
5% weakening of USD against EUR will decrease deficit before tax by	1,851	1,920
5% strengthening of USD against EUR will increase deficit before tax by	(1,851)	(1,920)

### **C.3. Credit Risk**

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The Club's objective is to reduce credit risk through the risk management techniques discussed below.

The Club is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Boards consider the financial position of significant counterparties on a regular basis.

Amounts due from Members represents premium owing to the Club in respect of insurance business written. The Club manages the risk of Member default through a screening process to ensure the quality of new entrants to the Club and the ability to cancel contractual cover and outstanding claims to Members that fail to settle amounts payable. The Club limits its reliance on any single Member.

Amounts due from reinsurers are closely monitored by the Senior Management Committee and the Club has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A-" at the time the contract is made.

Exposure to financial institutions through the Club's bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

#### C.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Club has adopted an investment policy which requires the maintenance of significant holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short term cash needs are monitored to ensure the most efficient investment of cash balances.

The amount of expected profits included in future premium as per the Solvency II Own Funds - Appendix S.23 .01.01 is US\$47.553 million.

#### C.5. Operational Risk

Operational Risk is defined as direct or indirect losses arising from inadequate or failed internal processes, personnel or systems, or from external events. The Club has established an Operational Risk Policy that sets out the processes and controls in place in the business.

Mitigation of these risks is managed in the following generic ways:

- Processes are documented, training provided and functional reviews carried out to ensure compliance.
- Procedures are in place to manage recruitment, training and appraisal of all staff. Outsourced service providers are also managed, including reviews and management information relating to their performance of operational tasks.
- Applications used in business processes contain relevant mandatory fields, pre-defined reference data, validation and conditional inputs.
- Consideration of external events, including reports of loss or near miss events to which the business could be exposed to and all emerging risks.

Furthermore, potential internal loss or near miss events are captured and recorded in the minutes of regular regional/ functional meetings. Risk-based reports, including any potential loss or near miss events identified, are prepared by Risk Owners and functional heads for review and consideration by the Executive Risk Committee.

#### C.6. Other Material Risks

The Club has not identified any other material risk that it considers necessary for disclosure.

During 2022, the Directors reviewed the impact of climate change on the Club as part of its Own Risk and Solvency Assessment process. This involved producing 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. The Club continues to develop its approach to the management of climate related-financial risks.

## C.7. Any Other Information

The Club is currently implementing a Legacy Modernisation Project to replace its underwriting platform. This has been subject to the Club's governance as described in B.3 above.

Other than this, the Club has not identified any other material information that it considers necessary for disclosure.

## D. Valuation for Solvency Purposes

A basic principle of Solvency II is that assets and liabilities are valued on the basis of their economic value. This is the price which an independent third party would receive for acquiring these liabilities, or pay for acquiring these assets. The value of the assets less the value of the liabilities is then taken as the starting point for determining the available own funds.

A summary of the Solvency II balance sheet for TTI as at 31 December 2022 compared with the UK GAAP balance sheet is shown below.

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Solvency II</b>	<b>GAAP</b>	<b>Solvency II</b>	<b>GAAP</b>
	<b>basis</b>	<b>basis</b>	<b>basis</b>	<b>basis</b>
	<b>US\$000s</b>	<b>US\$000s</b>	<b>US\$000s</b>	<b>US\$000s</b>
<b>Assets</b>				
Investments and cash at bank	241,154	239,699	201,005	199,671
Insurance and intermediaries receivables	23,718	63,085	11,861	59,366
Reinsurance receivables	302,941	470,155	277,809	413,294
Other	857	11,795	1,047	9,367
	<u>568,670</u>	<u>784,734</u>	<u>491,722</u>	<u>681,698</u>
<b>Liabilities</b>				
Technical provisions	344,206	508,088	328,016	451,410
Reinsurance payables	141,447	206,852	88,209	158,837
Payables (trade not insurance)	2,461	3,235	2,497	3,139
Other	5,301	4,600	3,401	1,690
	<u>493,415</u>	<u>722,775</u>	<u>422,123</u>	<u>615,076</u>
<b>Own funds / surplus and reserves</b>	<u><u>75,255</u></u>	<u><u>61,959</u></u>	<u><u>69,599</u></u>	<u><u>66,622</u></u>

The above table presents Solvency II and UK GAAP at a consistent valuation basis with the exception of technical provisions.

However, the Solvency II line item classifications differ from UK GAAP, which result in different values for total assets and total liabilities respectively, which ultimately net off and has no impact on Own Funds.

The Solvency II balance sheet is presented in S.02.01.02

### D.1. Assets

#### Investments and cash

Assets including all of the investments of TTI which are classified as fair value through the profit and loss.

Investments are included in the Balance Sheet at market value translated at year end rates of exchange. The market value of listed investments is based on current bid prices as at the balance sheet date.

The costs of investments denominated in currencies other than 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 and are then accumulated within the Investment Revaluation Reserve until realised. 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.

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 identical instrument prices and 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 on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

#### **Insurance and intermediary receivables**

These represent balances that are due for existing insurance contracts. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value. These balances are reviewed for impairment and a provision is created against any balance that may be impaired.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions.

Under UK GAAP requirements, these balances are presented separately on the face of the balance sheet as to whether these are overdue, due or not yet due.

#### **Reinsurance receivables**

These amounts are balances that are due to be recovered from existing reinsurance arrangements over the short-term. Little to no uncertainty exists as to the timing or amount of the recovery. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value.

If required, TTI makes allowance for expected credit default of reinsurance counterparties. Currently no such allowances are deemed necessary.

When amounts are not yet due, these are included as future cash flows in the calculation of technical provisions. All items due for payment are shown as a line item on the face of the Solvency II balance sheet.

Under UK GAAP requirements, all amounts, whether overdue, due or not yet due, are shown as separate line items on the face of the balance sheet.

Note that reinsurance recoverables is discussed within D.2. Technical Provisions section below

#### **Other assets**

This balance includes sundry short term receivable balances, the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Other than on technical provisions, there are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

## D.2. Technical Provisions

The tables below show the Solvency II technical provisions by line of business for 2022:

2022	Marine, Aviation and Transport US\$000s	General Liability US\$000s	Fire and Other Damage to Property US\$000s	Motor Vehicle Liability US\$000s	Total US\$000s
<b>Gross technical provision (including risk margin)</b>	170,219	158,870	7,338	7,779	<b>344,206</b>
<b>Reinsurance technical provision</b>	149,610	138,668	6,729	7,934	<b>302,941</b>

The technical provisions are valued using the methodology prescribed in the Solvency II Directive and associated regulations. They consist of a “best estimate mean” of future cash flows (claims, premiums and expenses), which are discounted in line with risk-free interest rates to give the “present value” of those cash flows. Finally, a “risk margin” is added to take the total to a notional market value (i.e. equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to assume and meet the insurance and reinsurance obligations).

The “best estimate mean” is made up of two key elements:

- The “claims outstanding provision”, which relates to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not.
- The “premium provision” which relates to future claim events covered by insurance policies which are already bound (i.e. a contract already exists between the Club and its policyholders) by the valuation date. This includes both the unexpired portion of existing policies and the policies which are bound but for which the policy has not yet inceptioned.

Standard actuarial techniques are used to project claims cash flows including Chain Ladder and Bornhuetter-Ferguson methods. The key assumptions relate to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of the Club and its claims handling processes. Allowance is also made for claims relating to the premium provision. These are valued using the Club's business plan. The future claims cash flows are the most uncertain element of the technical provisions. The uncertainty involved was discussed in Section C1 on Underwriting Risk. The main sources that give rise to the uncertainty of future claims cash flows are as follows:

- changes in development patterns and average settlements for bodily injury claims, given their long tail nature;

- changes in the number and severity of large claims (above US\$ 1 million), as these tend to be more infrequent and therefore more volatile; and
- changes in the economic environment.

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and at a prescribed cost-of-capital. This calculation is based on the assumption that a “reference undertaking” takes on the insurance obligations (and associated reinsurance arrangements). The SCRs in future time periods have been assumed to be directly proportional to the best estimate mean claim liabilities, net of reinsurance recoverables at those points in time.

A reconciliation of UK GAAP technical provisions to Solvency II technical provisions is shown below, together with a line by line explanation in the notes below.

2022	Notes	Gross US\$000s	Reinsurance US\$000s	Net US\$000s
<b>GAAP technical provisions (including UPR)</b>		<b>508,088</b>	<b>460,807</b>	<b>47,281</b>
Eliminate contingency margin	1	(38,866)	(35,752)	(3,114)
Eliminate unearned premium provision	2	(93,470)	(77,304)	(16,166)
Reallocate amounts not yet due	3	(48,894)	(66,037)	17,143
Adjustment to expense reserve	4	11,273	-	11,273
Premium provision premiums	5	(97,957)	(61,744)	(36,213)
Premium provision claim and expenses	5	132,741	112,975	19,766
Reinsurance counterparty default	6	0	(268)	268
ENID adjustment	7	5,636	5,216	420
Other			0	0
Effects of discounting	8	(39,596)	(34,952)	(4,644)
		(169,133)	(157,866)	(11,267)
<b>Solvency II technical provisions pre risk margin</b>		<b>338,955</b>	<b>302,941</b>	<b>36,014</b>
Risk Margin	1	5,251	-	5,251
<b>Total Solvency II technical provisions</b>		<b>344,206</b>	<b>302,941</b>	<b>41,265</b>

### 1. Contingency margin and Solvency II risk margin

Since the Solvency II technical provisions figure is a best estimate, margins for prudence are removed under the Solvency II valuation methodology. The Solvency II risk margin is intended to represent a notional market value adjustment from mean best estimate to a targeted confidence level, as discussed above.

### 2. Unearned premium

The Solvency II balance sheet contains no concept of deferral of premium, and as such any such balances are eliminated upon transition to the Solvency II balance sheet. These balances are replaced by a provision for future cash flows expected on unexpired business as further discussed in 5 below.

### 3. Reallocation of amounts not yet due

Under Solvency II valuation methodologies, all future cash flows are included in the calculation of technical provisions. More specifically, any amount not yet due shall be included as a future cash inflow under the calculation of Solvency II technical provisions.



As a result, these amounts are removed from the UK GAAP balance sheet and included in the technical provisions calculation on the Solvency II balance sheet.

#### *4. Adjustment to expense reserve*

Unlike UK GAAP, Solvency II recognises all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is necessary to reflect these costs.

#### *5. Provision for unexpired contracts and contracts bound but not incepted*

Solvency II valuation methodology requires an insurer to estimate the cash flows on future coverage that the insurer will provide. This includes the unexpired portion of existing contracts and contracts that have been bound, but for which coverage has not yet incepted, known as bound but not yet incepted (“BBNI”). These contracts are to be recognised when the insurer becomes party to the contract which is usually when the contract between undertaking and policyholder is legally formalised. All of these amounts are recognised under premium provisions and include unexpired amounts not yet due previously recognised on the UK GAAP balance sheet as debtors or creditors.

#### *6. Reinsurance counterparty default adjustment*

For the Solvency II balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to counterparty default. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under the UK GAAP basis, a provision for bad debt is only made where there is objective evidence that a counterparty may default on its obligations.

#### *7. Events Not in Data (‘ENID’) adjustment*

Solvency II requires that all possible outcomes are allowed for when setting the technical provisions. Therefore, an additional provision needs to be made for “events not in data”, i.e. potential adverse claim outcomes that have not been observed to date and hence are taken into account in assessing the Solvency II technical claims provisions.

#### *8. Effects of discounting*

Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates.

The matching adjustment, volatility adjustment and transitional provisions have not been used.

Appendix S.17.01.02 shows full details of TTI technical provisions as reported in TTI’s annual QRT reports.

### **D.3. Other Liabilities**

#### **Reinsurance payables**

These represent balances that are due to be paid on existing reinsurance contracts.

When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under UK GAAP requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due, albeit analysed accordingly.

**Payables (trade, not insurance)**

These balances include sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Other than technical provisions, there are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

**Any other liabilities not elsewhere shown**

These include mainly sundry creditors and accruals.

There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

**D.4. Alternative Methods of Valuation**

TTI does not utilise any alternative methods of valuation.

**D.5. Any Other Information**

TTI has not identified any other information that it considers material to be disclosed.

## E. Capital Management

### E.1 Own Funds

As a mutual insurance company with no share capital, TTI's own funds consist of its accumulated surplus and reserves, plus revaluation reserve, which are fully unrestricted and meet all the requirements of Tier 1 capital, to be counted as Basic Own Funds. These funds may be fully utilised to meet both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

TTI's solvency coverage of the SCR and MCR as at 31 December 2022 is shown in the table below.

	<b>2022</b> <b>US\$000s</b>	<b>2021</b> <b>US\$000s</b>
Eligible own funds	75,255	69,599
SCR	52,379	44,941
Excess over SCR	<u>22,876</u>	<u>24,658</u>
<b>Ratio of eligible own funds to SCR</b>	<b>144%</b>	<b>155%</b>
Eligible own funds	75,255	69,599
MCR	13,095	11,235
Excess over MCR	<u>62,160</u>	<u>58,364</u>
<b>Ratio of eligible own funds to MCR</b>	<b>575%</b>	<b>619%</b>

Appendix S.23.01.01 shows full details of own funds as reported in the TTI's annual QRT reports.

The table below shows a reconciliation from UK GAAP surplus and reserves, to Solvency II basic own funds.

	<b>2022</b>	<b>2021</b>
	<b>US\$000s</b>	<b>US\$000s</b>
<b>GAAP surplus and reserves</b>	<b>61,959</b>	<b>66,622</b>
Solvency II gross technical provisions adjustment	163,882	123,395
- Reallocation of amounts not yet due	(48,894)	(51,305)
	<u>114,988</u>	<u>72,090</u>
Solvency II reinsurance technical provisions adjustment	(157,866)	(131,854)
- Reallocation of amounts not yet due	66,037	70,882
	<u>(91,829)</u>	<u>(60,972)</u>
<b>Net technical provisions adjustment</b>	<b>23,159</b>	<b>11,118</b>
Eliminate deferred acquisition costs	(9,863)	(8,141)
<b>Total Solvency II basic own funds</b>	<b>75,255</b>	<b>69,599</b>

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions. Refer to D2 for a discussion of the differences between the bases.

TTI's capital management objective is to maintain sufficient capital resources to exceed its SCR such that the probability of falling below its SCR is less than 10% (1 in 10) over one year, ignoring management actions. This objective is defined in TTI's capital risk appetite statement.

At a consolidated level the Club's overall capital management objective is to maintain sufficient capital resources such that the probability of breaching the Club's AM Best minimum capital requirement for an A-minus rating is less than 10% (1 in 10) over one year, ignoring management actions.

The forecasts for both TTI's and the Club's capital are prepared over a three year planning horizon with the current Business Plan covering the period 2023-2025.

Both TTI and the Club met their capital management objectives as at 31 December 2022 and are forecasting to continue to meet these throughout the period 2023-2025.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### Solvency Capital Requirements (SCR)

The table below sets out the SCR results as at 31 December 2022 for TTI on a solo entity basis.

	31 Dec 2022 US\$000s	Movement US\$000s	31 Dec 2021 US\$000s
<b>Solvency capital requirement</b>	<b>52,379</b>	<b>7,438</b>	<b>44,941</b>
<b>Non-life underwriting risk</b>	<b>21,590</b>	<b>3,940</b>	<b>17,650</b>
Premium and reserve risk	17,803	2,376	15,427
Lapse risk	11,243	3,830	7,413
Catastrophe risk	2,074	147	1,927
Diversification	(9,530)	(2,413)	(7,117)
<b>Market risk</b>	<b>12,993</b>	<b>3,701</b>	<b>9,292</b>
Interest rate risk	6,682	4,222	2,460
Equity risk	-	-	-
Property risk	12	(2)	14
Spread risk	245	53	192
Concentration risk	-	(30)	30
Currency risk	9,540	1,224	8,316
Diversification	(3,486)	(1,766)	(1,720)
<b>Counterparty default risk</b>	<b>20,652</b>	<b>2,020</b>	<b>18,632</b>
Type 1	15,819	892	14,927
Type 2	5,941	1,335	4,606
Diversification	(1,108)	(207)	(901)
<b>Operational risk</b>	<b>10,168</b>	<b>475</b>	<b>9,693</b>
<b>Diversification</b>	<b>(13,024)</b>	<b>(2,698)</b>	<b>(10,326)</b>
<b>Eligible own funds</b>	<b>75,255</b>	<b>5,656</b>	<b>69,599</b>
Tier 1	75,255	5,656	69,599
Tier 2	-	-	-

As shown in the table, TTI has sufficient capital to meet its SCR as at 31 December 2022 with a capital adequacy ratio of 144% (2021: 155%).

The main risks that drive the SCR are underwriting risk and counterparty default risks. This is expected given the additional counterparty default risk arising from the 90% quota share reinsurance arrangement with TTB.

The overall SCR has increased by US\$7.4 m since last year, driven by several factors:

- Increases premium and reserve risks are driven by premium volume increases together with the attendant increases in claims.
- Increases in interest rate risk is in line with the yield curves rising, causing a higher interest rate shock to assets and liabilities.

- Increases in the Type 2 counterparty default risk is caused by the rise in premium receivables, primarily from Russian business where settlements have been delayed or curtailed on account of sanctions imposed by financial institutions.
- Increases in the Type 1 counterparty risk is reflective of the larger cash balances received from higher premium volumes.

### Eligible Own Funds

	<b>2022</b> <b>US\$000s</b>	<b>Movement</b> <b>US\$000s</b>	<b>2021</b> <b>US\$000s</b>
<b>Assets</b>			
Investments and cash at bank	241,154	40,149	201,005
Insurance and intermediaries receivables	23,718	11,857	11,861
Reinsurance receivables	302,941	25,132	277,809
Other assets	857	(190)	1,047
	<u>568,670</u>	<u>76,948</u>	<u>491,722</u>
<b>Liabilities</b>			
Technical provisions	344,206	16,190	328,016
Reinsurance payables	141,447	53,238	88,209
Payables (trade not insurance)	2,461	(36)	2,497
Other liabilities	5,301	1,900	3,401
	<u>493,415</u>	<u>71,292</u>	<u>422,123</u>
<b>Eligible Own Funds</b>	<u>75,255</u>	<u>5,656</u>	<u>69,599</u>

Eligible Own Funds have increased by US\$5.7 m since last year.

- This is driven by increases in cash and investments of US\$40 million, insurance receivables of US\$12 million and reinsurance receivables US\$25 million.
- Offset by increases in technical provisions of US\$16 million, reinsurance payables of US\$53 million and other liabilities of US\$ 2 million.
- These are all driven by growth in premium volumes, with the attendant rise in claims and associated recoveries.

### Minimum Capital Requirements (MCR)

The MCR for TTI as at 31 December 2022 is US\$13.1m. This capital requirement was met as at 31 December 2022.

Appendix S.25.01.21 and S.28.01.01 show full details on the MCR and SCR including the inputs into these calculations, as reported in TTI's annual QRT reports.

The table below shows the inputs into the MCR calculation as at 31 December 2021 and 31 December 2022:

	<b>31 Dec 2022</b> <b>US\$000s</b>	<b>Movement</b> <b>US\$000s</b>	<b>31 Dec 2021</b> <b>US\$000s</b>
Absolute MCR	3,966	(343)	4,309
Linear MCR	9,773	36	9,737
SCR	52,379	7,438	44,941
Combined MCR	13,095	1,860	11,235
<b>MCR</b>	<b>13,095</b>	<b>1,860</b>	<b>11,235</b>

Volume measures used in the MCR calculations:

- Net (of reinsurance) written premiums in the last 12 months: US\$ 45.4 million.
- Net (of reinsurance/SPV) best estimate and TP calculated as a whole: US\$36. 0 million (Solvency II basis)

### E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

This sub-module is not used by the TTI.

### E.4 Differences Between the Standard Formula and Any Internal Model Used

TTI uses the standard formula for its Solvency Capital Requirement.

### E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

TTI has fully complied with the SCR and MCR requirements during the period under review.

Refer to section E1 for results of the SCR / MCR Calculations

### E.6 Any other information

TTI considers there to be no other material information that should be disclosed.

# TT CLUB MUTUAL INSURANCE LIMITED

## Solvency and Financial Condition Report

### Disclosures

31 December

**2022**

(Monetary amounts in USD thousands)



## General information

Undertaking name	TT CLUB MUTUAL INSURANCE LIMITED
Undertaking identification code	213800XMGISANRAGT477
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	57
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	188,251
R0080	<i>Property (other than for own use)</i>	48
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	178,503
R0140	<i>Government Bonds</i>	176,812
R0150	<i>Corporate Bonds</i>	1,692
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	9,700
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	302,941
R0280	<i>Non-life and health similar to non-life</i>	302,941
R0290	<i>Non-life excluding health</i>	302,941
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	14,369
R0370	Reinsurance receivables	9,348
R0380	Receivables (trade, not insurance)	168
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	52,846
R0420	Any other assets, not elsewhere shown	690
R0500	<b>Total assets</b>	<b>568,670</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	344,206
R0520	<i>Technical provisions - non-life (excluding health)</i>	344,206
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	338,955
R0550	<i>Risk margin</i>	5,251
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	136
R0830	Reinsurance payables	141,311
R0840	Payables (trade, not insurance)	2,461
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	5,301
R0900	<b>Total liabilities</b>	493,415
R1000	<b>Excess of assets over liabilities</b>	75,255

## S.05.01.02

## Premiums, claims and expenses by line of business

## Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Total
		Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0040	C0060	C0070	C0080	C0200
<b>Premiums written</b>						
R0110	Gross - Direct Business	8,954	99,916	18,600	38,076	165,547
R0120	Gross - Proportional reinsurance accepted	1,001	43,653	5,632	34,475	84,760
R0130	Gross - Non-proportional reinsurance accepted					0
R0140	Reinsurers' share	8,558	113,202	21,724	61,387	204,871
R0200	Net	1,397	30,367	2,507	11,164	45,436
<b>Premiums earned</b>						
R0210	Gross - Direct Business	9,003	96,082	20,133	39,842	165,061
R0220	Gross - Proportional reinsurance accepted	977	42,982	5,899	33,271	83,128
R0230	Gross - Non-proportional reinsurance accepted					0
R0240	Reinsurers' share	8,567	113,416	21,764	61,565	205,312
R0300	Net	1,413	25,648	4,268	11,548	42,877
<b>Claims incurred</b>						
R0310	Gross - Direct Business	-1,250	89,557	9,844	32,291	130,443
R0320	Gross - Proportional reinsurance accepted	1,853	18,913	2,101	15,462	38,330
R0330	Gross - Non-proportional reinsurance accepted					0
R0340	Reinsurers' share	592	100,854	10,994	44,318	156,758
R0400	Net	11	7,616	952	3,435	12,014
<b>Changes in other technical provisions</b>						
R0410	Gross - Direct Business					0
R0420	Gross - Proportional reinsurance accepted					0
R0430	Gross - Non-proportional reinsurance accepted					0
R0440	Reinsurers' share					0
R0500	Net	0	0	0	0	0
R0550	<b>Expenses incurred</b>	654	17,950	2,311	7,414	28,329
R1200	<b>Other expenses</b>					4,568
R1300	<b>Total expenses</b>					32,898



S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance				Total Non-Life obligation
		Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0050	C0070	C0080	C0090	C0180
R0010	Technical provisions calculated as a whole	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					0
<b>Technical provisions calculated as a sum of BE and RM</b>						
<b>Best estimate</b>						
<b>Premium provisions</b>						
R0060	Gross	-3,446	-15,241	-12,170	7,209	-23,648
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1,936	-13,461	-10,389	4,325	-21,461
R0150	<b>Net Best Estimate of Premium Provisions</b>	-1,511	-1,780	-1,781	2,884	-2,187
<b>Claims provisions</b>						
R0160	Gross	11,059	182,361	19,223	149,960	362,603
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	9,870	163,072	17,118	134,343	324,402
R0250	<b>Net Best Estimate of Claims Provisions</b>	1,189	19,289	2,106	15,618	38,202
R0260	<b>Total best estimate - gross</b>	7,613	167,120	7,053	157,169	338,955
R0270	<b>Total best estimate - net</b>	-321	17,509	325	18,502	36,014
R0280	<b>Risk margin</b>	166	3,099	284	1,701	5,251
<b>Amount of the transitional on Technical Provisions</b>						
R0290	Technical Provisions calculated as a whole					0
R0300	Best estimate					0
R0310	Risk margin					0
R0320	<b>Technical provisions - total</b>	7,779	170,219	7,338	158,871	344,206
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>	7,934	149,610	6,729	138,668	302,941
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	-155	20,609	609	20,203	41,265

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year											In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											8,371	8,371	8,371
R0160	2013	22,635	26,222	10,957	6,368	4,936	2,334	3,179	1,481	-393	2,588		2,588	80,305
R0170	2014	16,536	24,793	21,011	11,019	7,782	2,896	1,094	4,612	293			293	90,036
R0180	2015	17,857	35,321	17,289	9,102	7,866	9,142	1,440	6,253				6,253	104,270
R0190	2016	13,700	40,994	14,077	13,555	9,323	4,641	4,530					4,530	100,821
R0200	2017	16,271	31,194	16,170	13,336	4,890	3,232						3,232	85,093
R0210	2018	21,433	35,626	19,915	12,522	7,427							7,427	96,923
R0220	2019	20,270	31,505	15,200	12,680								12,680	79,655
R0230	2020	14,934	27,422	17,333									17,333	59,689
R0240	2021	17,340	35,087										35,087	52,427
R0250	2022	15,590											15,590	15,590
R0260		<b>Total</b>											113,386	773,181

Gross Undiscounted Best Estimate Claims Provisions														
(absolute amount)														
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360		
	Development year											Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											8,518	7,859	
R0160	2013	0	0	0	18,489	12,966	8,178	4,664	4,772	4,556	2,091		1,929	
R0170	2014	0	0	23,345	14,508	6,430	4,855	8,983	4,000	3,541			3,265	
R0180	2015	0	47,859	27,485	16,422	4,029	9,488	7,752	6,720				6,190	
R0190	2016	96,214	52,459	32,840	23,228	12,224	7,629	4,659					4,296	
R0200	2017	112,294	71,946	49,627	21,134	15,081	8,677						8,008	
R0210	2018	102,589	54,092	39,229	28,609	24,913							22,999	
R0220	2019	107,138	61,883	44,812	31,766								29,296	
R0230	2020	111,693	80,287	64,688									59,589	
R0240	2021	133,184	91,340										84,464	
R0250	2022	145,749											134,709	
R0260		<b>Total</b>											362,603	





## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	12,993		
R0020 Counterparty default risk	20,652		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	21,590		
R0060 Diversification	-13,024		
R0070 Intangible asset risk	0		
R0100 <b>Basic Solvency Capital Requirement</b>	42,211		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	10,169		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 <b>Solvency Capital Requirement excluding capital add-on</b>	52,379		
R0210 Capital add-ons already set	0		
R0220 <b>Solvency capital requirement</b>	52,379		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate	0		
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
<b>LAC DT</b>			
<b>C0130</b>			
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

## USP Key

## For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

## For health underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

## For non-life underwriting risk:

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

C0010

9,773
-------

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
0	
0	
0	
0	1,397
0	
17,509	30,367
325	2,507
18,502	11,164
0	
0	
0	
0	
0	
0	
0	
0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

0
---

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

C0070

9,773
52,379
23,571
13,095
13,095
3,966
13,095