TT CLUB
established expertise

Annual Report & Financial Statement 2013

LOOKING FORWARD

TT CLUB
IS MANAGED
BY **THOMAS
MILLER**

Contents

Through Transport Mutual Insurance Association Limited

TT Club Mutual Insurance Limited

Directors and Management

Chairman
K Pontoppidan 2 3
Copenhagen

Deputy Chairman
J A Dorto 3
Formerly Virginia International Terminals Inc, Norfolk

Directors
S Bradford 2 3 (retired 20 March 2014)
Formerly Port of Melbourne Corporation, Melbourne

J Callahan
Nautilus International Holding Corporation, Los Angeles

M Engelstoft
A P Møller-Maersk, Copenhagen

T Faries
Appleby, Bermuda

A Fullbrook
OEC Group, New York

G Gluck
M&S Shipping Group Plc, London

K Hellmann
Hellmann Worldwide Logistics GmbH & Co KG, Osnabrück

B Hsieh
Evergreen Group, Taipei

D Jürgensen
The Bertling Group, Hamburg

S Kelly (appointed 27 June 2013)
Modern Terminals Ltd, Hong Kong

U Kranich 1
Hapag-Lloyd AG, Hamburg

J Küttel 1
Ermewa, Geneva

C Larrañaga
Terminal de Contenidors de Barcelona, Barcelona

T J Leggett 1
Specialist Director - Finance

H Maekawa 3 (appointed 7 November 2013)
Kawasaki Kisen Kaisha Ltd, Tokyo

R Murchison (appointed 27 June 2013)
Murchison Group, Argentina

Y Narayan
DP World, Dubai

E O'Toole
International Port Holdings Ltd, London

O Rakkenes
Atlantic Container Line AB, New Jersey

D Rennie (appointed 27 June 2013)
Grindrod Ltd, South Africa

C Sadoski
Carrix Inc, Seattle

G Sjöholm 1 (retired 20 March 2014)
Formerly Port of Gothenburg, Gothenburg

YK Song (appointed 7 November 2013, resigned 31 December 2013)
Hanjin Shipping Co, Seoul

T Shimizu (retired 27 June 2013)
Kawasaki Kisen Kaisha Ltd, Tokyo

CK Tan
Pacific International Lines (Pte) Ltd, Singapore

Sir David Thomson, Bt. (retired 27 June 2013)
Edinburgh

J Thomson 2
Specialist Director – Investments

A Wong (resigned 21 March 2013)
Orient Overseas Container Line Ltd, Hong Kong

E Yao 2 (appointed 27 June 2013)
Orient Overseas Container Line Ltd, Hong Kong

Zhou Hu
Cosco Container Lines Co Ltd, Shanghai

Registered Office
Canon's Court, 22 Victoria Street
Hamilton, Bermuda

Company Registration number
1750

1 Audit & Risk Committee member
2 Investment Committee member
3 Nominations Committee member

Managers
Thomas Miller (Bermuda) Ltd

Company Secretary
D W R Hunter
Telephone 01624 645242

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
7 More London Riverside, London, SE1 2RT

Financial Highlights 2013

	2013 US$000s	2012 US$000s
Results for financial year		
Gross earned premiums	**181,823**	182,126
Brokerage	**(19,707)**	(18,983)
Net earned premiums	**162,116**	163,143
Reinsurance premiums ceded	**(44,407)**	(45,981)
Investment income, gains and losses, and other income	**4,209**	6,816
Net claims incurred	**(79,982)**	(91,413)
Expenses, taxation and minority interest	**(34,725)**	(31,492)
Overriding commission on quota share reinsurances	**4,759**	3,144
Surplus on ordinary activities after tax	**11,970**	4,217

	2013 US$000s	2012 US$000s
Summary balance sheet		
Total cash and investments	**494,927**	485,202
Other assets	**146,433**	158,674
Total assets	**641,360**	643,876
Gross unearned premiums and claims reserves	**(401,291)**	(436,735)
Other liabilities	**(49,301)**	(28,381)
Subordinated loan	**(29,143)**	(29,105)
Total surplus and reserves	**161,625**	149,655

Chairman's Review

I would like in this review to strike a more optimistic note about the global trading environment than has been the case in recent years. Many of us are now looking forward positively to growth in 2014, and although not all corners of the world are seeing improved trading conditions yet, for many of you the predicted growth in the global economy in 2014 should bring some welcome relief from the challenges of the last several years.

I am pleased to tell you that 2013 was a good year for the Club. As you will read in the enclosed Financial Statements, the Club's financial performance has been stable, thereby continuing the good performance of recent years. This stability is most welcome as it enables your Board to focus on the issues that matter most to Members and brokers particularly the service delivered to you.

Last year I reported to you on the Board's focus on managing the costs of the Club. This is important because these costs form a part of the premium charge to Members and in order to help maintain Member premiums at the lowest sustainable levels, these costs must be contained. I am pleased to tell you that further savings have been identified and implemented in the last 12 months and cost management will continue to be an area of focus for the Board.

Trading Environment

Natural catastrophes caused significantly fewer losses to the insurance industry in 2013 than in 2012. Munich Re estimates losses globally at US$ 31 billion, down from US$ 65 billion in 2012, with the most expensive insurance event resulting from the hailstorms that hit Germany on 27 and 28 July. Losses from that event are in the region of US$ 3.7 billion. Readers will remember that the Club was impacted by Super Storm Sandy in 2012 but the Club's losses from natural events in 2013, notably typhoon Haiyan have been small. That positive picture is echoed across all the Club's claims levels, which are all down on the levels experienced in 2012 and on all recent years except the extraordinary 2009. Our analysis shows that a contributing factor to this positive picture is the work that has been carried out, overseen by your Board, to restructure the Club's book of business so that the overall premium income to the Club better matches the exposure Club Members are insuring with it. The operating performance in 2013 provides strong evidence that this work is having a noticeable effect.

The premium rating environment continues to be a tough one with a continuing easy supply of capital to the insurance market generally. Loyalty to the Club's product has, however remained at its usual very high levels, testament to the value added product the Club offers, and so premium levels have remained at the levels expected at the beginning of the year. Further the Club's income continues to be supported by premium from the Club's cargo product – aimed at the transport operator market – which grew through the year, and profitably.

The factors described above in respect of claims and premiums and particularly those in respect of claims led to the Club's combined ratio again being below 100%, which means that the income to the Club from Member premiums and investment income balanced the outgoings in claims and expenses. This is a healthy position for the Club to be in particularly in the light of the recent stable performance and means that the Club is continuing to balance its books satisfactorily.

Chairman's Review (continued)

Turning to investment matters, investment markets have been a little more predictable in 2013 than in recent years. The Club maintained a small part (averaging around 7.5%) of its investment portfolio in predominantly US equities as part of a balanced approach to managing its investment funds. With US equity markets having risen to record high levels in 2013, this investment has contributed to an above budget performance in the year. The majority of the Club's portfolio continues to be invested in cash and bonds and whilst in this interest rate environment the returns are low, it is also low risk.

The Club's financial strength rating awarded by AM Best remains very important to your Board as it is to many Members and I am pleased to tell you that the Club's A- (Excellent) rating was maintained through 2013 (for the 8th successive year) and our expectation is that it will be maintained in 2014.

Loss Prevention

The Club's risk management activities have to a degree been matched to the current industry focus of cargo management in the supply chain, specifically container weighing and the packing of CTUs (cargo transport units). Through the Club's history, the quest for quality cargo management has been core to reducing losses and improving safety. As a result, the Club has been well-positioned to participate in and contribute to the international debates, as well as seeking to carry through an objective to make the complex simple. Thus, coinciding with the ILO/IMO/UNECE work leading towards the CTU Code, which should be endorsed by the three UN bodies during 2014, the Club is pleased to see the launch of 'CTUpack e-learning™' developed by Exis Technologies as a contribution to implementation and communication of good packing practice through the industry.

In the meantime, the Club's risk management and loss prevention continues to focus primarily towards risks and claims over which a Member has management control, for example good husbandry practices, and claims of a more attritional nature, such as general cargo management exemplified by the CTUpack training. Additionally, the Club provides alerts to changing risks, often through its TT Talk e-newsletter, covering topics as diverse as safe container yard management, changing customs regulation and practice, and the impact of cyber crime.

Chairman's Review (continued)

Directors and Officers

Four Directors retired from the Board in 2013. Allan Wong, Toshio Shimizu, YK Song and Sir David Thomson and I would like to thank them all for their contribution during their time as Directors of the Club. I would like to particularly thank Sir David for his 40 years on the Board, 25 of which were as Chairman. Sir David deserves our thanks for leading the Club as it grew safely and steadily during his time in office, focusing always on the needs of the Members. His wise counsel, particularly in recent years focusing on investment matters, will be very much missed.

During the year we welcomed Sean Kelly, Hiroyuki Maekawa, Roberto Murchison, Dave Rennie and Erxin Yao to the Board and my Board colleagues and I look forward to working with them in the interests of the Members. Personally I am particularly gratified that we continue to be able to attract such high calibre individuals to represent Members on the Board, and I am also pleased to tell you that the Board continues to be representative in its make up of the geographical location of Members and membership types.

Feedback

All businesses value constructive comments on how they can improve their offering. The Club has for many year run a survey aimed at measuring Member's satisfaction with the service provided – this will be run in 2014 and I urge you all to use this opportunity to express your views on the service you receive. In addition during 2014 all of the Club's outgoing emails will include an invitation via a link to a database to comment on experience with the Club. The combined output of this work is reported to the Board which then monitors the actions taken to address the points made.

Additionally I and other Directors hope to see some of you during the year at Member events hosted by the Board in Dubai (March), Seoul (June) and Buenos Aires (November) and we welcome the opportunity at these events to talk about the Club and your experiences with it.

Finally then, may I wish you all the best for 2014.

K Pontoppidan, *Chairman*
20 March 2014

Strategic Report

The Directors present herewith their strategic report for the year ended 31 December 2013.

Business review

The principal activities of the TT Club during the year were the provision of insurance and reinsurance in respect of the equipment, property and liabilities of its Members in the international transport and logistics industry.

Strategy and values

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

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

The Group has outsourced the entire management function, including that relating to investment management, to companies within the Thomas Miller Holdings Limited group of companies.

Financial performance, capital strength and solvency

Gross earned premiums amounted to US$ 181.8 million which was 0.2% lower than 2012.

The forecast ultimate loss ratio for the 2013 policy year is 78% compared with 90% for the 2012 year at the same stage, due to improvements in the Group's risk profile as well favourable experience in relation to large claims. Prior policy years claims have developed within expectations resulting in a release of prior year best estimate claims reserves, excluding currency effects, of US$ 7.4 million (2012: US$ 6.7 million).

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

The technical result for 2013, after allowing for the attribution of investment income on the claims reserves, was a surplus of US$ 11.2 million (2012: surplus of US$ 2.8 million). The underlying investment return, excluding currency effects, was 1.72%. The non-technical account produced a surplus of US$ 0.8 million (2012: surplus of US$ 1.4 million), resulting in an overall net surplus after tax of US$ 12.0 million (2012: surplus of US$ 4.2 million).

Strategic Report (continued)

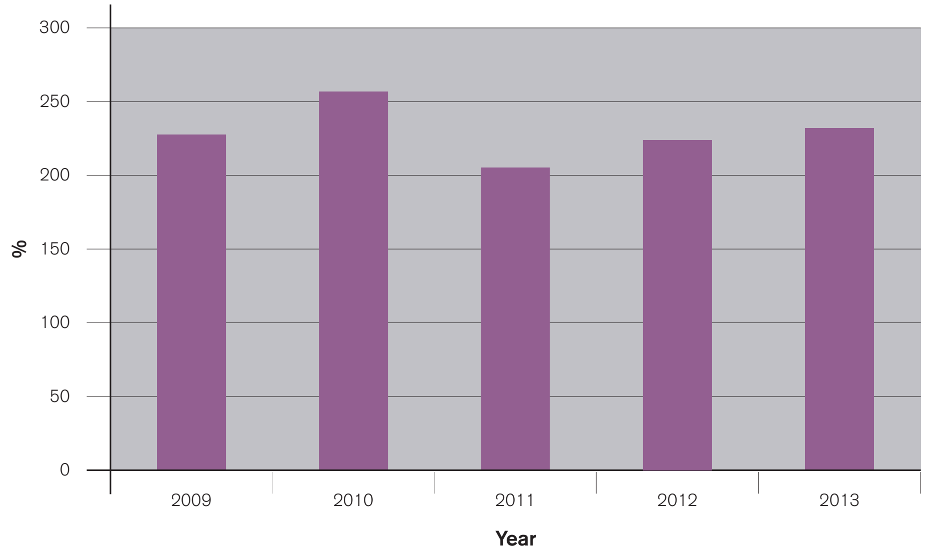
Financial performance, capital strength and solvency (continued)
As a result the Group's surplus and reserves now stand at US$ 161.4 million (2012: US$ 149.4 million). In addition to this, the Group's regulatory capital includes US$ 30 million in subordinated loan notes issued by the parent company in October 2006. The notes mature in 2036 and are repayable at the company's option from October 2011, subject to regulatory approval. They are fully admissible for regulatory (PRA) purposes until 2031 and credit rating (AM Best) purposes until 2016, after which the level of admissibility will gradually decline.

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

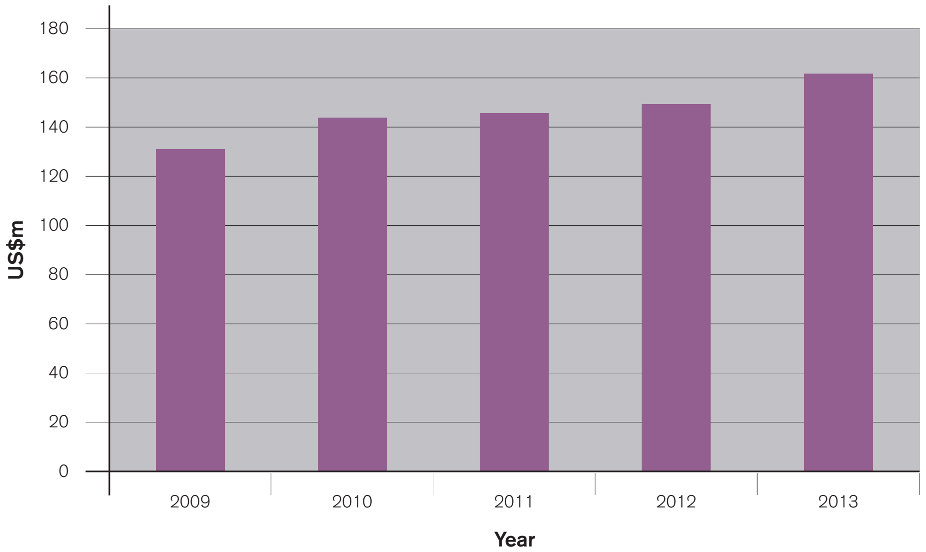
1. **Financial strength –** AM Best rating
   The Group have had a rating of A- (Excellent) since 2006.

Strategic Report (continued)

2. Solvency – capital as a percentage of PRA Enhanced Capital Requirement (ECR)



3. Capital – surplus and reserves

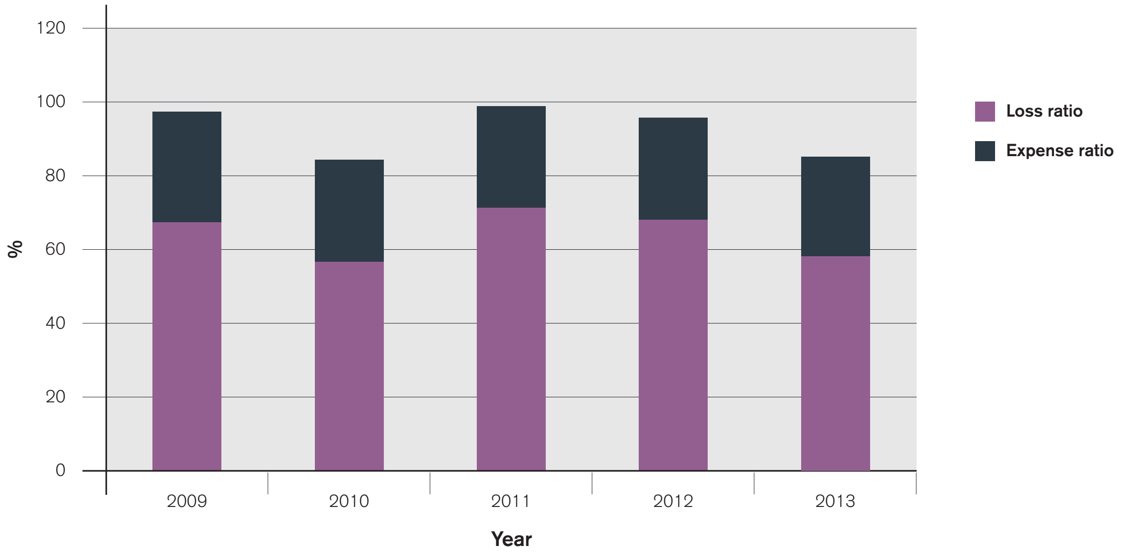


The Group's financial strategy, approved by the Board, is to maintain within the business sufficient capital to meet regulatory requirements, and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case. The Directors are satisfied that both elements of this strategy have been maintained throughout 2013.

Strategic Report (continued)

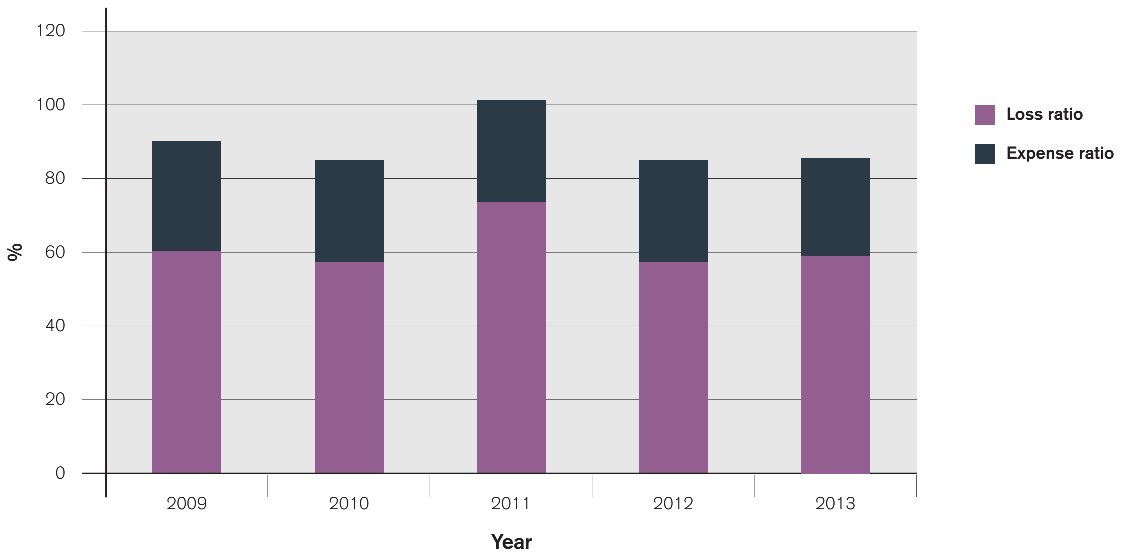
4(a). Operating ratios – loss ratio, expense ratio and combined ratio as a percentage of net earned premiums, including prior year claims reserves movements and exchange movements on claims reserves

Combined ratio



4(b). Operating ratios – loss ratio, expense ratio and combined ratio, restated to exclude the estimated effect of exchange movements on claims reserves

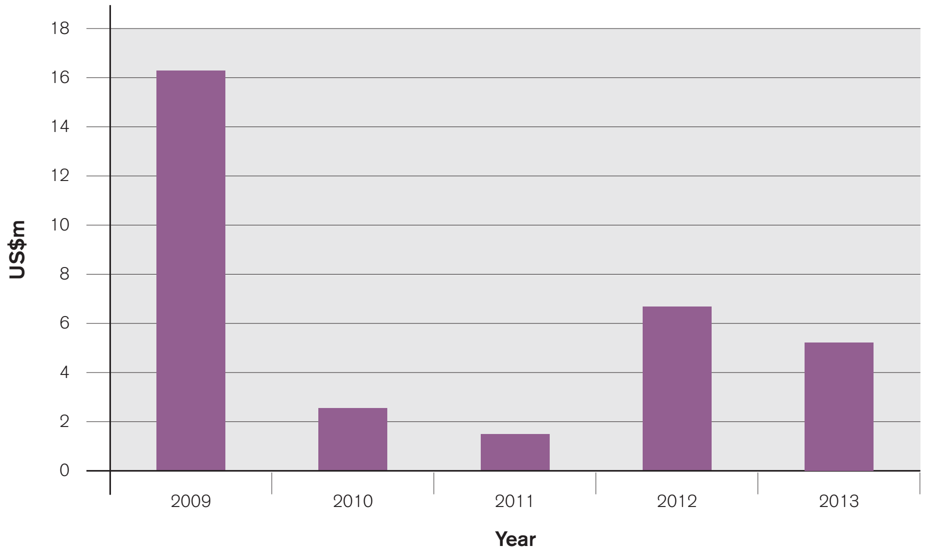
Combined ratio



Strategic Report (continued)

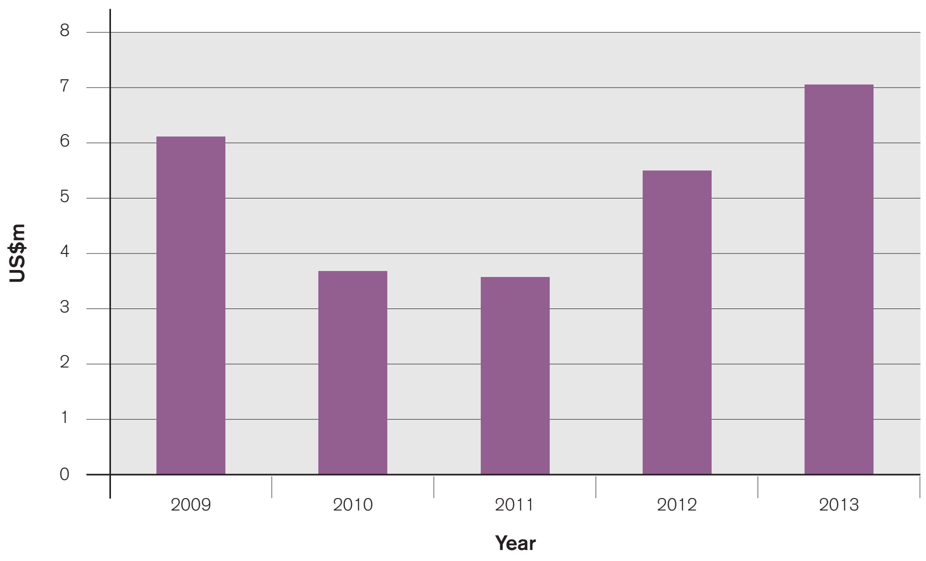
5(a). Investment performance – return gross of tax and including exchange movements

Investment return



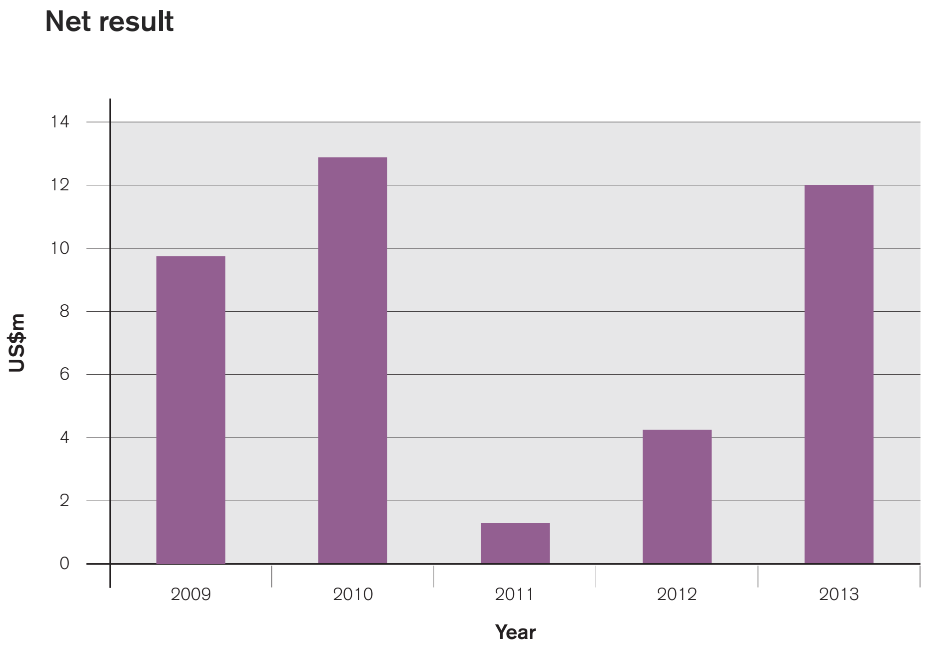
5(b). Investment performance – return gross of tax and excluding exchange movements

Investment return



Strategic Report (continued)

6. Net result – income and expenditure surplus after tax



Corporate and social

The Directors are of the opinion that the environmental impact of the Group's activities is low, due to the small size and the nature of its business. There are therefore currently no KPIs relating to environmental matters. The business is, however, conscious of its environmental responsibility, and continues to invest in electronic claims handling and underwriting systems designed to increase efficiency and reduce reliance on paper-based records. It is also investing in website technology in order to facilitate electronic distribution of its products and information to Members, brokers, suppliers and third parties.

As the Group's executive function is performed by independent professional managers there are no employee matters to report.

Strategic Report (continued)

Risks and risk management

The board has implemented a risk management system which is designed to protect the Group from occurrences that hinder sustainable achievement of our objectives and financial performance and to ensure that the Group complies with regulatory requirements in the jurisdictions in which it operates.

The following key principles outline the Group's approach to risk management:

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

All types of risk facing the business are analysed and each one is rated according to its severity (impact on the business) and probability of occurrence, adjusted for any mitigation measures that have been implemented. All risks identified are summarised, categorised and prioritised in a Risk Log which is reviewed and approved by the Board, at least annually and more frequently if required.

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

Insurance risk

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

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

Insurance risk is mitigated by means of:

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

Strategic Report (continued)

Risks and risk management (continued)

Financial risks

Financial risks consist of:

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

Information on the use of financial instruments by the Association and its management of financial risks is disclosed in Note 3 to the financial statements.

Operational risk

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

The Group's IT systems are established and stable; any development follows standard project methodologies. Appropriate operational policies and procedures covering all aspects of the business have been embedded through the organisation. Management information supports the control framework and is subject to on-going validation and enhancement to ensure that it is appropriate to business requirements.

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

By approval of the Board

D W R Hunter, *Company Secretary*
20 March 2014

Directors' Report

The Directors present herewith their Report and the audited consolidated financial statements of Through Transport Mutual Insurance Association Limited ("the Association" or "Company"). The Association and its subsidiary, TT Club Mutual Insurance Limited, trade collectively as the "TT Club".

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

Directors & Officers

The names of the Directors of the Association who served during the year and up to the date of signing the financial statements are shown on page 3. All the Directors retiring at the Annual General Meeting and seeking re-election were re-elected. At the meeting of the Directors following the Annual General Meeting in June 2013, K Pontoppidan was re-appointed as Chairman of the Board. J Dorto was re-appointed as a Deputy Chairman. The Directors of TT Club Mutual Insurance Limited are shown at the front of TT Club Mutual Insurance Limited annual report.

The Board of the Association met formally on two occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Bye-Laws of the Association. The number of Directors present at these meetings was 17 and 22 respectively.

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

Meetings of the Directors

Reports on the results of the negotiations for the renewal of Members at the start of and during the 2013 policy year were received and the Directors reviewed the list of new entries and of those Members whose entries had terminated.

The Annual Report and Financial Statements for the year ended 31 December 2012 were approved by the Board for submission to the Members of the Association at the Annual General Meeting. The Directors also confirmed their intention not to levy any supplementary premium for the 2012 policy year.

Directors' Report (continued)

Board Committees

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

The Nominations Committee ensures that the Board is appropriately skilled to direct a mutual insurance company, that the Directors are appropriately senior and representative of the membership, and that there is a proper balance of Directors taking account of the different categories of Member, different sizes of businesses insured and different locations of Members' businesses. The Nominations Committee met on three occasions during 2013.

The Audit & Risk Committee assists the Board in discharging its responsibilities for the integrity of the Group's financial statements, the assessment of the effectiveness of the systems of internal control, monitoring the effectiveness and objectivity of the internal and external auditors and compliance with regulatory requirements in relevant jurisdictions. The Audit & Risk Committee met on four occasions during 2013.

The Investment Committee makes recommendations to the Board in respect of investment policy and reviews in detail the performance of the Group's investments. The Investment Committee met on five occasions during 2013.

Statement of disclosure of information to auditors

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

1) So far as each of them is aware, there is no information relevant to the audit of the Association's financial statements for the year ended 31 December 2013 of which the auditors are unaware; and
2) The Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make him/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

By approval of the Board

D W R Hunter, *Company Secretary*
20 March 2014

Directors' Responsibilities Statement

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

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

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

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

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

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

By approval of the Board

D W R Hunter, *Company Secretary*
20 March 2014

Notice of Meeting

Notice is hereby given that the forty-fourth Annual General Meeting of the Members of the Association will be held at the Shilla Hotel, Seoul on the twenty sixth day of June 2014 at 8.45 am for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 December 2013 and, if they are approved, to adopt them.

To elect Directors.

To appoint auditors and to authorise the Directors to fix their remuneration.

To transact any other business of an Ordinary General Meeting.

By approval of the Board

D W R Hunter, *Company Secretary*
20 March 2014

Independent Auditors' Report to the Members of Through Transport Mutual Insurance Association Limited

We have audited the Group and parent company financial statements (the "financial statements") of Through Transport Mutual Insurance Association Limited for the year ended 31 December 2013 which comprise the Consolidated and Parent Company Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law in Bermuda and United Kingdom Accounting Standards as issued by the UK Accounting Standards Board.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 17 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law in Bermuda and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's and parent company's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

PricewaterhouseCoopers LLP
Chartered Accountants, London, United Kingdom
20 March 2014

Consolidated Income and Expenditure Account for the year ended 31 December 2013

Technical Account

	Note	US$000s	2013 US$000s	US$000s	2012 US$000s
Gross premiums written	13		**186,307**		182,267
Reinsurance premiums ceded			**(44,465)**		(47,346)
Premiums written, net of reinsurance			**141,842**		134,921
Change in provision for unearned premiums					
Gross		**(4,484)**		(141)	
Reinsurers' share		**(139)**		1,365	
			(4,623)		1,224
Earned premiums, net of reinsurance			**137,219**		136,145
Allocated investment return transferred from the non-technical account	2(j)		**2,248**		3,434
Other technical income			**35**		141
Claims paid					
Gross	4	**(114,262)**		(98,397)	
Reinsurers' share	5	**20,279**		19,170	
		(93,983)		(79,227)	
Change in the provision for claims					
Gross		**39,928**		(20,019)	
Reinsurers' share		**(25,927)**		7,833	
		14,001		(12,186)	
Claims incurred, net of reinsurance			**(79,982)**		(91,413)
Net operating expenses	6		**(48,343)**		(45,548)
Balance on the technical account			**11,177**		2,759

All activities derive from continuing operations.

Consolidated Income and Expenditure Account for the year ended 31 December 2013 (continued)

Non-technical Account

	Note	2013 US$000s	2012 US$000s
Balance on the technical account		**11,177**	2,759
Investment income		**3,739**	2,632
Unrealised gains on investments		**3,298**	2,822
Interest payable		**(1,650)**	(1,368)
Exchange (losses)/gains		**(1,842)**	1,219
Total investment return	*7*	**3,545**	5,305
Allocated investment return transferred to the technical account	*2(j) & 7*	**(2,248)**	(3,434)
Surplus on ordinary activities before tax		**12,474**	4,630
Tax on ordinary activities	*8*	**(504)**	(413)
Surplus on ordinary activities after tax		**11,970**	4,217
Surplus for the financial year	*11*	**11,970**	4,217

All activities derive from continuing operations.

There is no material difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historic cost equivalents.

Note 11 details the movements on the Reserve Fund during the year. There are no recognised gains or losses other than those shown in the Consolidated Income and Expenditure Account. Accordingly, no statement of total recognised gains and losses has been prepared.

The notes on pages 25 to 46 form an integral part of these financial statements.

Balance Sheets
as at 31 December 2013

	Note	Consolidated 2013 US$000s	Consolidated 2012 US$000s	Parent Company 2013 US$000s	Parent Company 2012 US$000s
Assets					
Investments					
Shares in subsidiary undertakings	9	**–**	–	**12**	12
Other financial investments	10	**458,928**	437,781	**375,383**	361,805
Reinsurers' share of technical provisions					
Provision for unearned premiums		**12,182**	12,321	**–**	49
Claims outstanding		**76,298**	102,224	**2,114**	13,515
		88,480	114,545	**2,114**	13,564
Debtors					
Arising out of direct insurance operations					
- policyholders		**35,406**	31,194	**965**	1,143
Arising from reinsurance ceded		**12,883**	4,709	**37,966**	35,119
Amounts due from group undertakings		**–**	–	**1,831**	8,220
Corporation tax debtor		**200**	200	**200**	200
Other debtors		**2,381**	1,004	**179**	1
		50,870	37,107	**41,141**	44,683
Cash at bank and in hand		**35,999**	47,421	**3,116**	4,218
Prepayments and accrued income					
Accrued interest		**680**	440	**668**	419
Deferred acquisition costs		**6,211**	6,128	**414**	354
Prepayments		**192**	454	**142**	191
		7,083	7,022	**1,224**	964
Total assets		**641,360**	643,876	**422,990**	425,246

Balance Sheets
as at 31 December 2013 (continued)

	Note	Consolidated		Parent Company	
		2013 US$000s	2012 US$000s	**2013 US$000s**	2012 US$000s
Liabilities and reserves					
Reserves					
Statutory reserve		**240**	240	**240**	240
Surplus and reserves	11	**161,385**	149,415	**106,088**	91,770
		161,625	149,655	**106,328**	92,010
Subordinated liabilities	12	**29,143**	29,105	**29,143**	29,105
Technical provisions					
Provision for unearned premiums – gross		**62,517**	58,033	**40,343**	36,211
Claims outstanding – gross		**338,774**	378,702	**239,437**	263,699
		401,291	436,735	**279,780**	299,910
Creditors					
Arising out of direct insurance operations		**16**	93	**–**	–
Arising from reinsurance ceded		**27,576**	20,295	**–**	739
Provision for taxation		**579**	416	**211**	83
Accrued expenses and sundry creditors		**21,166**	7,613	**7,528**	3,399
		49,337	28,417	**7,739**	4,221
Equity minority interest		**(36)**	(36)	**–**	–
Total liabilities and reserves		**641,360**	643,876	**422,990**	425,246

The notes on pages 25 to 46 form an integral part of these financial statements.

The financial statements on pages 20 to 46 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf by:

K Pontoppidan, *Director*
J Küttel, *Director*

Company Registered Number
1750

Consolidated Cash Flow Statement for the year ended 31 December 2013

	Note	2013 US$000s	2012 US$000s
Operating activities			
Premiums received from Members		**162,227**	162,017
Reinsurance premiums paid		**(37,184)**	(37,296)
Claims paid		**(104,508)**	(99,091)
Reinsurance receipts in respect of claims		**12,106**	27,202
Investment income		**3,499**	3,311
Management fee paid		**(28,518)**	(24,706)
Expenses paid		**(2,973)**	(3,610)
Other operating cash movements		**292**	207
Overriding commissions on quota share reinsurance		**5,282**	3,139
Net cash inflow from operating activities	*14*	**10,223**	31,173
Interest payable		**(1,612)**	(1,331)
Taxation paid		**(341)**	(37)
		(1,953)	(1,368)
Net cash inflow		**8,270**	29,805
Cash flows were invested as follows:			
(Decrease)/Increase in cash holdings	*15*	**(7,469)**	3,611
Net portfolio investments	*16*		
Net purchase of UCITS		**18,873**	81,470
Purchase of bonds and other fixed interest securities		**496,698**	360,173
Sale of bonds and other fixed interest securities		**(510,528)**	(401,108)
Net purchase/(Sale) of equities		**10,626**	(13,689)
Net purchase/(Sale) of options		**69**	(652)
		15,738	26,194
Net investment of cash flows		**8,270**	29,805

Notes to the Financial Statements
31 December 2013

Note 1: Constitution and ownership

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

Note 2: Accounting policies

(a) Basis of preparation

These Group financial statements which consolidate the financial statements of the Association and its subsidiary undertakings have been prepared under the Bermuda Companies Act 1981, and also under the provisions of Schedule 3 to the UK Companies Act 2006. The Association and its subsidiary undertaking have applied uniform accounting policies and on consolidation all intra group transactions, profits and losses have been eliminated. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers. The financial statements of all group companies are made up to 31 December. The Association has not prepared a Parent company income and expenditure account under the exemption in Section 408 of the UK Companies Act 2006.

The financial statements have been prepared under the provisions of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

(b) Premiums

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

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

(c) Unearned premiums

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(d) Commission income

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

(e) Claims

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

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

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

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

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

(f) Reinsurance recoveries

The liabilities of the Group are reinsured above certain levels and for certain specific risks. The figure credited to the Income and Expenditure Account for reinsurance recoveries includes receipts and amounts due to be recovered on claims already paid together with changes in the amount of recoveries to be made on outstanding claims. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(g) Acquisition costs

Brokerage and commission payments and other direct costs incurred in relation to securing new contracts and rewriting existing contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date and are shown as assets in the Balance Sheets. Amounts deferred are amortised over the life of the associated insurance contract.

(h) Financial assets

Financial assets are classified between the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired and is determined at initial recognition and this is re-evaluated at every reporting date.

Fair value through profit and loss

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

Investments are included in the 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 and Expenditure Account 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.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. A bad debt provision is created against any balances that may be impaired.

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(h) Financial assets (continued)

Available for sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. No available for sale assets are held.

Derivative financial instruments
Derivative financial instruments include open foreign currency contracts. They are classified as held for trading. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Changes in fair value are charged or credited to the Income and Expenditure Account. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, UCITS and deposits held at call with banks. The UCITS are Undertakings for Collective Investments of Transferable Securities, and are used as an alternative to short term cash deposits. They are classified as cash equivalents as they are short term, highly liquid investments that can be readily converted to cash.

(i) Impairment
At each balance sheet date, an assessment is made as to whether there is objective evidence that an asset is impaired. An asset or group of assets is impaired only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and it is expected that the event will have an impact on estimated future cash flows of the asset or group of assets. The Group must be able to reliably estimate the impact on future cash flows.

If the carrying value of an asset is greater than its recoverable amount, the carrying value is reduced through a charge to the Income and Expenditure account in the period of impairment.

(j) Investment return
Investment income comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash and realised and unrealised gains and losses on investments.

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(j) Investment return (continued)

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

The Group allocates a proportion of its investment return to the technical account based on the average ratio of outstanding claims to funds available to meet outstanding claims. This transfer is made so that the balance on the technical account is based on a longer-term rate of investment return and is not subject to distortion from short-term fluctuations in investment return (SORP para. 294).

(k) Foreign currencies

Revenue transactions are translated into US dollars at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing US dollar exchange rate. The resulting differences, apart from those relating to estimated future claims or investments, are shown separately in the Income and Expenditure Account.

Exchange gains or losses arising on non-US dollar cash holdings are treated as realised and are included in the Income and Expenditure Account.

(l) Policy year accounting

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

Investment income and exchange gains or losses are allocated proportionately to the average balance on each open policy year and the Reserve Fund.

UK taxation, which is based on investment income, is allocated proportionately between the open policy years and the Reserve Fund. Other taxation is allocated entirely to the policy years to which it relates

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(m) Closure of policy years

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

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

(n) Unexpired risk reserve

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

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

(o) Deferred taxation

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

(p) Subordinated liabilities

In accordance with Financial Reporting Standard 26 Financial Instruments: Recognition and Measurement, the subordinated loan liability is recognised at amortised cost with the transaction costs directly attributable to the issue being amortised through the Income and Expenditure account over the expected duration of the liability.

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk

Financial risk management objectives

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

The Group manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit & Risk Committee. Further details are set out in the Strategic Report on page 13.

The Boards of the Associations are responsible, advised by the Chief Executive working with the Investment Manager, for setting investment policy and the appropriate level of market or investment risk. This is set with reference to the overall risks faced by the Group which are analysed as part of the Individual Capital Assessment ("ICA") process.

The processes used to manage risks within the Group are unchanged from the previous period and are set out in the Strategic Report.

(a) Market risk

(i) Interest rate risk

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

The Group's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholder liabilities. Interest rate risk is then monitored by comparing the mean duration of the investment portfolio and that of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 100 basis points in interest rates at the year end date, with all other factors unchanged would result in a US$ 3.59 million fall in market value of the Group's investments (2012: US$ 0.82 million fall). A decrease in 100 basis points in interest rates would result in a US$ 3.59 million increase in the market value of the Group's investments (2012: US$ 0.82 million increase).

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(a) Market risk (continued)

(ii) Investment price risk

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

(b) Currency risk

The Group 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 the Group is exposed to are Pounds Sterling and the Euro. From time to time the Group uses forward currency contracts or options to protect against adverse in year exchange movements.

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

As at 31 December 2013:

	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	249,378	16,276	24,235	–	289,889
Equity shares	24,878	7,051	–	–	31,929
Assets arising from reinsurance contracts held	96,108	434	1,844	2,977	101,363
Debtors arising from insurance contracts	29,364	2,735	1,808	1,499	35,406
Other debtors	1,106	816	–	459	2,381
Cash and cash equivalents	140,980	4,923	1,468	25,380	172,751
Other	(12,763)	(7,305)	26,987	722	7,641
Total	**529,051**	**24,930**	**56,342**	**31,037**	**641,360**

As at 31 December 2013 the currency split of the Club's claims estimates was as follows: US$ 192.2 million in US dollars and currencies pegged to the US dollar, US$ 19.5 million in Pounds Sterling, US$ 71.9 million in Euros and US$ 55.2 million in other currencies.

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(b) Currency risk (continued)

As at 31 December 2012:

	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	281,170	13,526	8,328	–	303,024
Equity shares	17,152	–	–	–	17,152
Assets arising from reinsurance contracts held	112,972	–	3,651	2,631	119,254
Debtors arising from insurance contracts	21,281	2,603	4,598	2,712	31,194
Other debtors	710	79	–	215	1,004
Cash and cash equivalents	93,874	16,598	27,827	26,738	165,037
Other	2,467	(9,800)	13,575	969	7,211
Total	**529,626**	**23,006**	**57,979**	**33,265**	**643,876**

At 31 December 2013, if the US dollar weakened/strengthened by 5% against Sterling, with all other factors unchanged, the surplus for the year would have increased/decreased by US$ 0.59 million (2012: US$ 0.50 million). At 31 December 2013, if the US dollar weakened/strengthened by 5% against the Euro, with all other factors unchanged, the surplus for the year would have increased/decreased by US$ 0.50 million (2012: US$ 0.44 million).

(c) Credit risk

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

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

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(c) Credit risk (continued)

The following tables provide information regarding aggregated credit risk exposure, for financial assets with external credit ratings, as at 31 December 2013. The credit rating bands are provided by independent ratings agencies:

2013	AAA	AA	A	BBB+ or less or not rated	Total
	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	68,208	210,422	6,221	5,038	289,889
Equity Shares	–	–	–	31,929	31,929
Assets arising from reinsurance contracts held	–	61,122	34,376	5,865	101,363
Debtors arising out of direct insurance	–	–	–	35,406	35,406
Other debtors	–	–	–	2,381	2,381
Cash and cash equivalents	136,752	2,571	33,428	–	172,751
Other	–	–	–	7,641	7,641
Total	**204,960**	**274,115**	**74,025**	**88,260**	**641,360**
2012					
Debt securities	85,006	217,205	813	–	303,024
Equity Shares	–	–	–	17,152	17,152
Assets arising from reinsurance contracts held	–	64,268	51,024	3,962	119,254
Debtors arising out of direct insurance	–	–	–	31,194	31,194
Other debtors	–	–	–	1,004	1,004
Cash and cash equivalents	117,615	5,873	41,549	–	165,037
Other	–	–	–	7,211	7,211
Total	**202,621**	**287,346**	**93,386**	**60,523**	**643,876**

The Group's policy is to make a full provision against all reinsurance debts with an age in excess of two years and a fifty percent provision for reinsurance debts between one and two years old. The Group also provides against all amounts due from policyholders and insurance intermediaries that are more than nine months overdue.

After assessing all other financial assets at the end of the year, no objective evidence was found to suggest that any were impaired (2012: no impairments).

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Group maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 December 2013, the Group's short term deposits (including cash and UCITs) amounted to US$ 172.8 million (2012: US$ 165.0 million).

The tables below provide a maturity analysis of the Group's financial assets:

2013		**Past due but not impaired**					
	Neither past due nor impaired US$000s	**0-3 months US$000s**	**3-6 months US$000s**	**6 months-1 year US$000s**	**> 1 year US$000s**	**Financial assets that have been impaired US$000s**	**Carrying value in the balance sheet US$000s**
Debt securities and equity shares	321,818	–	–	–	–	–	321,818
Assets arising from reinsurance contracts held	101,211	1	25	123	3	–	101,363
Debtors arising out of direct insurance	27,827	7,042	479	58	–	–	35,406
Other debtors	2,381	–	–	–	–	–	2,381
Cash and cash equivalents	172,751	–	–	–	–	–	172,751
Other	7,641	–	–	–	–	–	7,641
Total	**633,629**	**7,043**	**504**	**181**	**3**	**–**	**641,360**
2012							
Debt securities and equity shares	320,176	–	–	–	–	–	320,176
Assets arising from reinsurance contracts held	119,012	185	5	4	48	–	119,254
Debtors arising out of direct insurance	24,365	6,829	–	–	–	–	31,194
Other debtors	1,004	–	–	–	–	–	1,004
Cash and cash equivalents	165,037	–	–	–	–	–	165,037
Other	7,211	–	–	–	–	–	7,211
Total	**636,805**	**7,014**	**5**	**4**	**48**	**–**	**643,876**

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk (continued)

The tables below show a maturity analysis of the Group's derivative contracts:

2013	**0-3 months US$000s**	**3-6 months US$000s**	**6 months –1 year US$000s**	**> 1year US$000s**	**Total US$000s**
Equity put options	26	–	–	–	26
Forward currency contracts	332	–	–	–	332
Total	**358**	**–**	**–**	**–**	**358**
2012					
Equity put options	–	–	–	–	–
Forward currency contracts	(11)	–	–	–	(11)
Total	**(11)**	**–**	**–**	**–**	**(11)**

The tables below provide a maturity analysis of the Group's financial assets and liabilities:

2013	**< 6 months or on demand US$000s**	**Between 6 months & 1 year US$000s**	**Between 1 and 2 years US$000s**	**Between 2 and 5 years US$000s**	**> 5 years US$000s**	**Total US$000s**
Debt securities and equity shares	153,736	9,806	110,522	35,528	12,226	321,818
Debtors arising out of direct insurance	30,790	4,616	–	–	–	35,406
Other debtors	2,381	–	–	–	–	2,381
Cash and cash equivalents	172,751	–	–	–	–	172,751
Subordinated loan	–	–	–	–	(29,143)	(29,143)
Creditors	(49,337)	–	–	–	–	(49,337)
Total	**310,321**	**14,422**	**110,522**	**35,528**	**(16,917)**	**453,876**
2012						
Debt securities and equity shares	53,858	170,461	43,934	51,912	–	320,165
Debtors arising out of direct insurance	30,584	610	–	–	–	31,194
Other debtors	1,004	–	–	–	–	1,004
Cash and cash equivalents	165,037	–	–	–	–	165,037
Subordinated loan	–	–	–	–	(29,105)	(29,105)
Creditors	(28,417)	–	–	–	–	(128,417)
Total	**222,066**	**171,071**	**43,934**	**51,912**	**(29,105)**	**459,878**

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(e) Capital management

The Group maintains an efficient capital structure from a combination of policyholders' funds (surplus and reserves) and long term borrowings (subordinated debt), consistent with the Group's risk profile. The Group's strategy is to maintain sufficient capital to meet regulatory requirements and to maintain an AM Best financial strength rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case.

The Group's principal regulator is the Prudential Regulation Authority (PRA) in the United Kingdom. Under the PRA's ICA regime the Group is obliged to assess and maintain the amount of capital required to meet the risks that it faces based on a 99.5% confidence level of solvency over one year or a longer timeframe with an equivalent probability. Throughout the year the Group complied with the PRA's capital requirements and the requirements in other countries where it has regulated operations.

As at 31 December 2013 the Group's total regulatory capital available amounted to US$ 190.7 million (2012: US$ 178.8 million) made up surplus and reserves of US$ 161.6 million (2012: US$ 149.7) and subordinated debt of US$ 29.1 million (2012: US$ 29.1 million).

As at 31 December 2013, the Group held deposits and letters of credit totalling US$ 62.8 million to meet overseas regulatory requirements (2012: US$ 73.2 million). This includes letters of credit amounting to US$ 24.5 million (2012: US$ 35.0 million) in relation to Hong Kong and a trust fund deposit of US$ 37.8 million (2012: US$ 37.7 million) in relation to the US.

(f) Fair value estimations

From 1 January 2009, the group adopted the amendment to Financial Reporting Standard 29. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)

All of the Group's financial assets and liabilities that are measured at fair value at both 31 December 2013 and 31 December 2012 fall into the Level 1 category with the exception of the debt securities, equity put options and forward currency contracts.

The fair value of financial instruments traded in active markets is based on quoted bid prices as at the balance sheet date. All valuations are taken from external price feeds based upon market prices or broker quotes.

Notes to the Financial Statements
31 December 2013 (continued)

Note 4: Claims paid

Claims paid include claims handling charges paid to the Managers totalling US$ 10.2 million (2012: US$ 9.7 million).

Net claims payments and best estimate of claims outstanding at the end of the year in respect of 2012 and prior policy years were US$ 9.5 million lower than the provision for claims outstanding at the beginning of the year (2012: US$ 7.7 million).

When the impact of fluctuations in foreign currency exchange rates is excluded from the movement in the best estimate of claims outstanding, the reduction in provisions for claims outstanding exceeds net claims paid in respect of 2012 and prior policy years by US$ 7.4 million (2012: US$ 6.7 million) due to better than expected claims development.

Note 5: Reinsurers' share of claims paid

	2013 US$000s	2012 US$000s
Members' reinsurance	**286**	1,318
General reinsurance	**9,132**	8,170
Traditional quota share reinsurance	**10,893**	9,721
Change in provision for potential irrecoverable reinsurance	**(32)**	(39)
	20,279	19,170

Notes to the Financial Statements
31 December 2013 (continued)

Note 6: Net operating expenses

	2013 US$000s	2012 US$000s
Acquisition costs		
Brokerage and commission	**19,790**	19,274
Management fee in respect of underwriting	**13,284**	12,996
General expenses in respect of underwriting	**1,742**	1,704
Change in deferred acquisition costs	**(83)**	(291)
	34,733	33,683
Management fee in respect of management and investment costs and performance related fee	**15,234**	11,710
General expenses	**1,287**	1,242
Directors' fees	**707**	735
Directors' travelling costs	**451**	479
Auditors' remuneration		
Parent company audit	**151**	152
Subsidiary company audit	**312**	281
Non-audit services		
– Other services pursuant to legislation, including the audit of the regulatory returns	**23**	20
– Tax compliance services	**100**	62
– Tax advisory services	**104**	–
– Other services not covered above	**–**	21
	18,369	14,702
Total operating expenses before commission on reinsurance contracts	**53,102**	48,385
Commission on reinsurance contracts	**(4,759)**	(2,837)
	48,343	45,548

The Directors' fees for the highest paid director during 2013 amounted to US$ 141,000 (2012: US$ 138,000).

The Association had no employees during the year (2012: None).

Notes to the Financial Statements
31 December 2013 (continued)

Note 7: Investment return

	2013 US$000s	2012 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**3,188**	3,745
Net gains on the realisation of investments	**1,822**	106
	5,010	3,851
Exchange gains/(losses)	**(1,842)**	1,219
	3,168	5,070
Investment expenses and charges		
Interest payable	**(1,650)**	(1,368)
Other investment management expenses	**(1,271)**	(1,219)
Net unrealised gains/(losses) on investments	**3,298**	2,822
Total investment return	**3,545**	5,305
Investment return is analysed between:		
Allocated investment return transferred to the technical business account	**2,248**	3,434
Net investment return included in the non-technical account	**1,297**	1,871
Total investment return	**3,545**	5,305

Note 8: Tax on ordinary activities

	2013 US$000s	2012 US$000s
(i) Analysis of tax charge on ordinary activities		
Foreign tax for the current period	**533**	417
Adjustments in respect of prior periods	**(29)**	(4)
	504	413

Notes to the Financial Statements
31 December 2013 (continued)

Note 8: Tax on ordinary activities (continued)

	2013 US$000s	2012 US$000s
(ii) Factors affecting Tax Charge for the current period		
The tax assessed for the year is higher (2012: higher) than that resulting from applying the standard rate of corporation tax in Bermuda: 0% (2012: 0%) – the differences are explained below:		
Surplus on ordinary activities before tax	**12,474**	4,630
Tax at 0% thereon	**–**	–
Effects of:		
Tax levied outside Bermuda:		
United Kingdom	**126**	88
United States		–
Singapore	**5**	1
Australia	**402**	328
Adjustments in respect of prior periods	**(29)**	(4)
Current tax charge for period	**504**	413

The taxation charge comprises a charge for UK taxation based at a rate of 23% based on 10% of the group's investment return excluding that taxed within an overseas branch. The overseas tax charges relate to overseas income taxed at the prevailing rate in the respective jurisdictions.

A potential deferred tax asset of US$ 1.1 million (2012: US$ 1.1 million) in respect of certain unutilised tax losses has not been recognised as there is insufficient evidence that it will be recoverable. This asset would be recovered should sufficient taxable profits be generated in future which would be eligible for relief against the unutilised tax losses.

Future tax charges are dependent on future investment return and prevailing tax rates.

The tax rate was reduced on 1 April 2013 to 23%. The impact of the change was to reduce tax by approximately US$ 4,000. A further fall to 22% would lead to an additional decrease of US$ 7,000.

Notes to the Financial Statements
31 December 2013 (continued)

Note 9: Shares in subsidiary undertakings

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

The opening and closing value of these investments at the balance sheet date is US$ 12,000. The directors consider the value of the investments to be supported by their underlying assets

Note 10: Other financial investments

The Group's financial investments are summarised below by measurement category in the table below:

	Carrying Value		Purchase Price	
Consolidated	**2013 US$000s**	2012 US$000s	**2013 US$000s**	2012 US$000s
Held at fair value through profit and loss:				
– debt securities	**289,889**	303,025	**290,147**	303,988
– equities	**31,929**	17,152	**25,069**	15,822
– forward currency contracts	**332**	(11)	**–**	–
– equity put options	**26**	–	**45**	–
– UCITS	**136,752**	117,615	**136,752**	117,615
Financial assets held at fair value through profit and loss	**458,928**	437,781	**452,013**	437,425

	Carrying Value		Purchase Price	
Parent Company	**2013 US$000s**	2012 US$000s	**2013 US$000s**	2012 US$000s
Held at fair value through profit and loss:				
– debt and other fixed interest securities	**282,533**	266,711	**282,766**	267,659
– equities	**31,929**	17,152	**31,929**	15,822
– forward currency contracts	**332**	(11)	**–**	–
– equity put options	**26**	–	**45**	–
– UCITS	**60,563**	77,953	**60,563**	77,953
Financial assets held at fair value through profit and loss	**375,383**	361,805	**375,303**	361,434

Notes to the Financial Statements
31 December 2013 (continued)

Note 10: Other financial investments (continued)

The geographical split of the carrying value of the Association's debt securities is summarised below:

	Consolidated		Parent Company	
	2013 US$000s	2012 US$000s	**2013 US$000s**	2012 US$000s
United States	**185,229**	206,988	**177,873**	175,670
Germany	**30,368**	13,086	**30,368**	13,086
United Kingdom	**18,930**	21,436	**18,930**	21,436
Supranational	**15,412**	24,471	**15,412**	19,475
Australia	**14,335**	24,041	**14,335**	24,041
Sweden	**7,532**	8,000	**7,532**	8,000
Bermuda	**5,038**	–	**5,038**	–
Netherlands	**5,018**	5,003	**5,018**	5,003
Norway	**5,001**	–	**5,001**	–
New Zealand	**3,026**	–	**3,026**	–
	289,889	303,025	**282,533**	266,711

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

The debt securities with a maturity of less than one year total US$ 131.6 million (2012: US$ 207.2 million) with the remainder recoverable after more then one year.

As described in note 2(h), the investments of US$ 458.9 million (2012: US$ 437.8 million) are valued in the financial statements at market value.

Notes to the Financial Statements
31 December 2013 (continued)

Note 11: Surplus and reserves

	Consolidated 2013 US$000s	Parent Company 2012 US$000s
Balance at beginning of year	**149,415**	145,198
Net transfer to reserves	**11,970**	4,217
Balance at end of year	**161,385**	149,415

Note 12: Subordinated loan

On 10 October 2006, the Association issued US$ 30 million of subordinated loan notes. Interest is payable on the loan notes at a rate of 2.95% plus three month US dollar LIBOR. The loan notes have a maturity date of 9 October 2036 and are repayable, in whole or in part at the Association's option, subject only to regulatory approval.

The Group has an obligation to deliver cash or, for interest settled under the alternative settlement mechanism, equivalent financial assets at maturity in 2036 or earlier as permitted by the terms of the loan notes and to pay interest up until the loan notes are repaid. Hence, despite qualifying as regulatory capital, the loan notes have been included in subordinated liabilities.

The fair value and amortised cost of the subordinated loan is US$ 29.1 million (2012: US$ 29.1 million).

Note 13: Segmental information

	2013 US$000s	2012 US$000s
Gross premiums written		
– Members located in UK	**12,963**	12,362
– Members located in other EU states	**29,550**	39,053
– Members located outside EU	**143,794**	130,852
	186,307	182,267

The Group writes only marine, aviation and transport business.

The geographical analysis of surplus on ordinary activities before tax and net assets has not been disclosed as this, in the view of the Directors, would be prejudicial to the interest of the Members.

Notes to the Financial Statements
31 December 2013 (continued)

Note 14: Reconciliation of surplus to net cash (outflow)/inflow from operating activities

	2013 US$000s	2012 US$000s
Surplus before taxation	**12,474**	4,630
Unrealised investment losses	**(3,298)**	(2,822)
Exchange gain/(loss)	**1,843**	(1,219)
Interest payable	**1,612**	1,331
Servicing of finance	**38**	39
(Increase)/Decrease in debtors	**(13,828)**	7,912
Increase in creditors	**20,761**	10,339
(Decrease)/Increase in net technical provisions	**(9,379)**	10,963
Net cash inflow/(outflow) from operating activities	**10,223**	31,173

Note 15: Movement in cash, portfolio investments and financing

	1 January 2013 US$000s	Cash flow US$000s	Changes to market value & currencies US$000s	**31 December 2013 US$000s**
Cash at bank	47,421	(7,469)	(3,953)	**35,999**
UCITS	117,615	18,873	265	**136,753**
Bond and other fixed interest securities	303,025	(13,829)	693	**289,889**
Equities	17,152	10,626	4,151	**31,929**
Forward currency contract	(11)	69	300	**358**
	485,202	8,270	1,456	**494,928**

Notes to the Financial Statements
31 December 2013 (continued)

Note 16: Movement in opening and closing portfolios net of financing

	2013 US$000s	2012 US$000s
Net cash (outflow)/inflow	**(7,469)**	3,611
Portfolio investments	**15,739**	26,194
Movements arising from cash flows	**8,270**	29,805
Changes in market values and exchange rates	**1,456**	4,042
Total movement in portfolio investments net of financing	**9,726**	33,847
Portfolio investments net of financing as at 1 January	**485,202**	451,355
Portfolio investments net of financing as at 31 December	**494,928**	485,202

Note 17: Guarantees and commitments

Investments to the value of US$ 48.28 million (2012: US$ 48.19 million) have been charged as collateral in respect of letters of credit as security for holders of insurance policies in Canada and for regulatory purposes in Singapore and Hong Kong. The Association has issued a guarantee, not to exceed US$ 2.5 million, to TT Club Mutual Insurance Limited to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn as 31 December 2013 amounted to nil (2012: nil).

Note 18: Related party transactions

Through Transport Mutual Insurance Association Limited reinsures its subsidiary TT Club Mutual Insurance Limited under a 90% whole account quota share. All operations and transactions of TT Club Mutual Insurance Limited are included within the consolidated financial statements.

Through Transport Mutual Insurance Association Limited is managed by Thomas Miller (Bermuda) Limited. Under this arrangement, all day to day operations of the Club are outsourced to Thomas Miller (Bermuda) Limited. Total fees paid to Thomas Miller (Bermuda) Limited and related Companies are disclosed in notes 4 and 6. At 31 December 2013 the outstanding amount payable by the Club amounted to $ 4.87 million. Other than the management fees disclosed, no further payments were made to Thomas Miller (Bermuda) Limited, its related Companies or its Directors.

TT CLUB
established expertise

Annual Report & Financial Statement 2013

LOOKING FORWARD

TT CLUB
IS MANAGED
BY **THOMAS**
MILLER

Contents

TT Club Mutual Insurance Limited

Directors and Management

Chairman

K Pontoppidan 2 3
Copenhagen

Deputy Chairman

J Küttel 1
Ermewa, Geneva

Directors

D Davies (retired 26 June 2013)
Specialist Director – Insurance

C Fenton
Through Transport Mutual Services (UK) Ltd, London

G Sjöholm 1 (retired 20 March 2014)
Formerly Port of Gothenburg, Gothenburg

M Onslow (appointed 26 June 2013)
Specialist Director – Insurance

Registered Office

90 Fenchurch Street
London
EC3M 4ST

Telephone +44 (0) 20 7204 2626
Telefax +44 (0) 20 7204 2727

Company Registration number

2657093

Managers and Company Secretary

Through Transport Mutual Services (UK) Ltd

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

1 Audit & Risk Committee member
2 Investment Committee member
3 Nominations Committee member

Strategic Report

Business review

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

The Association operates in the UK and through branches in Singapore, Hong Kong and Australia.

Strategy and values

The Association's business is the provision of liability and asset insurances and related risk management services to the international transport and logistics industry. The Association 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.

The Association has entered into a 90% quota share reinsurance contract with TT Bermuda. The reinsurance contract also includes a stop loss element to protect the Association from an excess accumulation of claims within its 10% retention.

The Association'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.

The Association's executive function, including that relating to investment management, is performed by companies within the Thomas Miller Holdings Limited group of companies.

Strategic Report (continued)

Financial performance, capital strength and solvency

The Association's underwriting performance in 2013 continued to be affected by market pressure on premium rates in 2013. The technical result for 2013, after allowing for the attribution of investment income on the claims reserves, was a surplus of US$0.52 million (2012: deficit of US$0.14 million). The non-technical account produced a deficit of US$2.88 million (2012: deficit of US$0.12 million), resulting in an overall deficit after tax of US$2.36 million (2012: deficit of US$0.25 million). As a result the Association's surplus and reserves decreased to US$55.30 million (2012: US$57.66 million).

The principal KPIs by which performance is monitored by the Board are set out in the charts below. The position is shown as at the end of 2013 and 2012.

	2013	2012
AM Best rating	A- (Excellent)	A- (Excellent)
Surplus and reserves	US$55.30m	US$57.66m
Technical result (before attribution of investment return)	US$1.66m	US$(0.23m)
Investment return (incl. exchange gains and losses)	US$(3.64m)	US$0.31m
Net result	US$(2.36m)	US$(0.25m)

The Association's financial strategy, approved by the Board, is to maintain within the business sufficient capital to meet regulatory requirements, and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case. The Directors are satisfied that both elements of this strategy have been maintained throughout 2013.

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

Strategic Report (continued)

Corporate and social

The Directors are of the opinion that the environmental impact of the Association's activities is low, due to the small size and the nature of its business. There are therefore currently no KPIs relating to environmental matters. The business is however conscious of its environmental responsibility, and continues to invest in electronic claims handling and underwriting systems designed to increase efficiency and reduce reliance on paper-based records. It is also investing in website technology in order to facilitate electronic distribution of its products and information to Members, brokers, suppliers and third parties.

As the Association has outsourced all of its management activities to independent professional managers there are no employee matters to report.

Risks and risk management

The board has implemented the Group risk management system which is designed to protect the Association from occurrences that hinder sustainable achievement of our objectives and financial performance and to ensure that the Association complies with regulatory requirements in the jurisdictions in which it operates.

The following key principles outline the Association's approach to risk management:

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

All types of risk facing the business are analysed and each one is rated according to its severity (impact on the business) and probability of occurrence, adjusted for any mitigation measures that have been implemented. All risks identified are summarised, categorised and prioritised in a Risk Log which is reviewed and approved by the Board, at least annually and more frequently if required.

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

Insurance risk

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

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

Strategic Report (continued)

Insurance risk (continued)

Insurance risk is mitigated by means of:

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

Financial risks

Financial risks consist of:

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

Information on the use of financial instruments by the Association and its management of financial risks is disclosed in Note 3 to the financial statements.

Operational risk

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

The Association's IT systems are established and stable; any development follows standard project methodologies. Appropriate operational policies and procedures covering all aspects of the business have been embedded through the organisation. Management information supports the control framework and is subject to on-going validation and enhancement to ensure that it is appropriate to business requirements.

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

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
20 March 2014

Directors' Report

The Directors present herewith their Annual Report and the audited financial statements of TT Club Mutual Insurance limited ("the Association" or "Company").

Directors & Officers

The names of the Directors of the Association who served during the year and up to the date of signing the financial statements are shown on page 48. All the Directors retiring at the Annual General Meeting and seeking re-election were re-elected.

Meetings of the Directors

The Board of the Association met formally on seven occasions during 2013, with its main focus being to direct the operations of underwriting, sales, the external reinsurance programme, service, claims management, information technology and general administration. The Board also monitored performance against budget.

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

The Nominations Committee aims to ensure that the Board is appropriately skilled to direct a mutual insurance company, and has sufficient policyholder representation. The Nominations Committee met on three occasions during 2013.

The Investment Committee makes recommendations to the Board in respect of investment policy and reviews in detail the performance of the Association's investments. The Investment Committee met on five occasions during 2013.

The Audit & Risk Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, the assessment of the effectiveness of the systems of internal control and risk management, monitoring the effectiveness and objectivity of the internal and external auditors and compliance with regulatory requirements in relevant jurisdictions. The Audit & Risk Committee met on four occasions during 2013.

Directors' Report (continued)

Statement of disclosure of information to auditors

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

1) So far as each of them is aware, there is no information relevant to the audit of the Association's financial statements for the year ended 31 December 2013 of which the auditors are unaware; and

2) The Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make him/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Independent Auditors

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

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
20 March 2014

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website, www.ttclub.com.. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
20 March 2014

Notice of Meeting

Notice is hereby given that the twenty-first Annual General Meeting of the Members of TT Club Mutual Insurance Limited will be held at the Shilla Hotel, Seoul on the twenty sixth day of June 2014 at 8.50 am for the following purposes:

To receive the Directors' report and financial statements for the year ended 31 December 2013 and to adopt them.

To elect Directors.

To appoint auditors and to authorise the Directors to fix their remuneration.

To transact any other business of an Ordinary General Meeting.

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
20 March 2014

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by TT Club Mutual Insurance Limited, comprise the Profit and Loss Account, Balance Sheet and related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report (continued)

Opinion on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement on page 55, the directors are responsible for the preparation of the financial statements for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Thomas Robb (Senior Statutory Auditors)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 March 2014

Income and Expenditure Account
for the year ended 31 December 2013

Technical Account

	Note	US$000s	2013 US$000s	US$000s	2012 US$000s
Gross written premiums	*13*		**181,885**		177,845
Outward reinsurance premiums			**(150,935)**		(148,024)
Premiums written, net of reinsurance			**30,950**		29,821
Change in provision for unearned premiums					
Gross		**(4,125)**		231	
Reinsurers' share		**3,684**		(260)	
			(441)		**(29)**
Earned premiums, net of reinsurance			**30,509**		29,792
Allocated investment return transferred from the non-technical account	*2(h)*		**(1,198)**		93
Commission income	*2(d)*		**17,864**		19,717
Other technical income, net of reinsurance			**35**		142
Claims paid					
Gross	*4*	**(111,805)**		(88,027)	
Reinsurers' share	*5*	**102,610**		80,669	
		(9,195)		(7,358)	
Change in the provision for claims					
Gross		**25,932**		(34,643)	
Reinsurers' share		**(24,791)**		32,495	
		1,141		(2,148)	
Claims incurred, net of reinsurance			**(8,054)**		(9,506)
Net operating expenses	*6*		**(38,504)**		(40,373)
Balance on the technical account			**652**		(135)

All activities derive from continuing operations.

Income and Expenditure Account for the year ended 31 December 2013 (continued)

Non-technical Account

	Note	**2013 US$000s**	2012 US$000s
Balance on the technical account		**652**	(135)
Investment income		**455**	1,044
Unrealised losses on investments		**(11)**	(86)
Interest payable		**(631)**	(296)
Exchange losses		**(3,643)**	(355)
Total investment return	*7*	**(3,830)**	307
Allocated investment return transferred to the technical account	*2(h), 7*	**1,198**	(93)
(Deficit)/surplus on ordinary activities before tax		**(1,980)**	79
Tax on ordinary activities	*8*	**(378)**	(329)
Deficit on ordinary activities after tax	*10*	**(2,358)**	(250)

All activities derive from continuing operations.

Note 10 details the movements on the Reserve Fund during the year. There are no recognised gains or losses other than the surplus for the current and previous financial year. Accordingly no statement of total recognised gains and losses has been prepared.

The notes on pages 63 to 79 form an integral part of these financial statements.

There is no material difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historic cost equivalents.

Balance Sheet
as at 31 December 2013

	Note	2013 US$000s	2012 US$000s
Assets			
Other financial investments	9	**83,544**	75,976
Reinsurers' share of technical provisions			
Provision for unearned premiums		**49,854**	46,170
Claims outstanding		**300,573**	325,364
		350,427	371,534
Debtors			
Arising out of direct insurance operations			
– policyholders		**34,442**	30,050
Arising out of reinsurance operations		**12,589**	3,257
Other debtors		**2,249**	1,049
		49,280	34,356
Cash at bank		**32,883**	43,203
Prepayments and accrued income			
Prepayments		**50**	263
Accrued interest		**11**	20
Deferred acquisition costs		**5,796**	5,774
		5,857	6,057
Total assets		**521,991**	531,126

Balance Sheet
as at 31 December 2013 (continued)

	Note	**2013 US$000s**	2012 US$000s
Liabilities and reserves			
Surplus and reserves	*10*	**55,302**	57,660
Technical provisions			
Provision for unearned premiums – gross		**59,846**	55,721
Claims outstanding – gross		**325,726**	351,659
		385,572	407,380
Creditors			
Arising out of direct insurance operations		**15**	93
Arising from reinsurance ceded	*12*	**65,248**	53,220
Amounts due to parent company		**1,843**	8,220
Provision for taxation		**368**	333
Accrued expenses and sundry creditors		**13,643**	4,220
		81,117	66,086
Total liabilities and reserves		**521,991**	531,126

The notes on pages 63 to 79 form an integral part of these financial statements.

These financial statements on pages 59 to 79 were approved by the Board of Directors on 20 March 2014 and were signed on its behalf by:

K Pontoppidan, *Director*
J Küttel, *Director*

Company Registered Number
2657093

Notes to the Financial Statements
31 December 2013

Note 1: Constitution

The Association was incorporated as a mutual company limited by guarantee in the United Kingdom under the Companies Act 1985 on 24 October 1991. The liability of Assureds is limited to the supplementary premiums set by the Directors. Under the Association's Memorandum of Association, individual Members' liabilities are limited, in the event of the Association being wound up, to a maximum of £5 and, under the Association's Articles, in the event of its liquidation, any net assets of the Association are to be distributed equitably amongst the Members.

Note 2: Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Law and accounting standards. The significant accounting policies adopted, which have been applied consistently throughout the year, are described below.

(a) Basis of presentation

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers. The financial statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies. Under Financial Reporting Standard 1: Cash Flow statements, no cash flow has been presented in these Financial Statements as the Association is deemed to be a wholly owned subsidiary of Through Transport Mutual Insurance Association Limited and the cash flows of the Association are included within the consolidated financial statements of that entity.

(b) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of provisions for anticipated adjustment premiums, less an allowance for cancellations. Premiums are stated before the deduction of commissions and brokerage but net of taxes and duties levied.

(c) Unearned premiums

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(d) Commission income

Commission income is earned on the Association's quota share reinsurance with the parent company, the Association's general reinsurance programme and on insurance arranged by the Association on behalf of Members and others. Commission income also includes overriding commission on quota share reinsurance premiums.

(e) Claims

A provision is made for all claims incurred during the year, whether paid, estimated or unreported, claims management costs and adjustments to claims provisions brought forward from previous years. In addition, claims includes claims management costs and an allowance for estimated costs expected to be incurred in the future in the management of claims. Estimated claims stated in currencies other than the functional currency are converted at year end rates of exchange and any exchange difference is included within claims incurred in the Income and Expenditure account.

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

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

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

(f) Reinsurance recoveries

The liabilities of the Association are reinsured above certain levels and for certain specific risks. In addition, the Association has a quota share reinsurance agreement with the parent company covering all risks insured by the Association.

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(f) Reinsurance recoveries (continued)

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

(g) Acquisition costs

Brokerage and commission payments and other direct costs incurred in relation to securing new contracts and rewriting existing contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date and are shown as assets in the Balance Sheet. Amounts deferred are amortised over the life of the associated insurance contract.

(h) Financial assets

Financial assets are classified between the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired and is determined at initial recognition and this is re-evaluated at every reporting date.

Fair value through profit and loss account

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

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 cost of investments denominated in currencies other than the US dollar, are converted 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 and Expenditure Account 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.

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(h) Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. A bad debt provision is created against any balances that may be impaired.

Available for sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. No available for sale assets are held.

Derivative financial instruments
Derivative financial instruments include open foreign currency contracts. They are classified as held for trading. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair value are charged or credited to the Income and Expenditure Account. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and within UCITS.

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

(i) Impairment

At each balance sheet date an assessment is made whether there is objective evidence that an asset is impaired. An asset is impaired only if there is evidence of one or more events that have occurred giving rise to a reduction in estimated future cash flows. The Association must be able to reliably estimate the impact on future cash flows.

If the carrying value of an asset is greater than its recoverable amount, the carrying value is reduced through a charge to the Income and Expenditure account in the period of impairment.

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(j) Investment return

Investment income comprises income on fixed interest securities, interest on deposits and cash and realised and unrealised gains and losses on investments. Other investment income is recognised on an accruals basis. Interest income accrued but not received at the year end is held as accrued income in the balance sheet.

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

The Association allocates a proportion of its investment return to the technical account based on the average ratio of outstanding claims to funds available to meet outstanding claims. This transfer is made so that the balance on the technical account is based on a longer-term rate of investment return and is not subject to distortion from short-term fluctuations in investment return (SORP Para. 294).

(k) Foreign currencies

Revenue transactions are translated into US dollars at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing US dollar exchange rate. The resulting differences, apart from those relating to estimated future claims or investments, are shown separately in the Income and Expenditure Account.

Exchange gains or losses arising on non-US dollar cash holdings are treated as realised and are included in the Income and Expenditure Account.

(l) Policy year accounting

When considering the results of individual policy years, premiums, reinsurance premiums payable, claims and reinsurance recoveries are allocated to the policy years to which they relate based on the period of cover of each insurance policy. The management fee and general administration expenses are charged against the current policy year.

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 2: Accounting policies (continued)

(m) Closure of policy years

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

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

(n) Unexpired risk reserve

Full provision is made for unexpired risks when it is anticipated that unearned premiums, net of associated acquisition costs, will be insufficient to meet the expected claims and expenses of business as at the year end after taking account future investment income. Unexpired risk surpluses and deficits are offset where business classes are managed together and provision is made if a deficit arises.

(o) Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Note 3: Management of Financial Risk

Financial risk management objectives

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

Financial risk management objectives (continued)

The Association manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit & Risk Committee. Further details can be found in the Strategic report on pages 51 to 52.

The Board is responsible, advised by the Chief Executive working with the Investment Committee, for setting investment policy and the appropriate level of market or investment risk. This is set with reference to the overall risks faced by the Association which are analysed as part of the ICA process.

The processes used to manage risks within the Association are unchanged from the previous period.

(a) Market – interest rate risk

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

The Association's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholder liabilities. Interest rate risk is then monitored by comparing the mean duration of the investment portfolio and that of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates.

(b) Currency risk

The Association 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 the Association is exposed to are pounds sterling and the Euro.

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(b) Currency risk (continued)

2013	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	7,355	–	–	–	7,355
Assets arising from reinsurance contracts held	357,700	434	1,844	3,038	363,016
Debtors arising from insurance contracts	28,400	2,735	1,808	1,499	34,442
Other debtors	1,048	742	–	459	2,249
Cash and cash equivalents	80,565	1,689	1,438	25,380	109,072
Other	5,157	48	–	652	5,857
Total	**480,225**	**5,648**	**5,090**	**31,028**	**521,991**

2012	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	36,314	–	–	–	36,314
Assets arising from reinsurance contracts held	372,780	(538)	3,692	(1,143)	374,791
Debtors arising from insurance contracts	20,267	2,603	4,598	2,582	30,050
Other debtors	710	124	–	215	1,049
Cash and cash equivalents	49,332	3,701	3,094	26,738	82,865
Other	4,997	47	52	961	6,057
Total	**484,400**	**5,937**	**11,436**	**29,353**	**531,126**

At 31st December 2013, if the US dollar weakened/strengthened by 5% against the pound, with all other factors unchanged, the surplus for the year would have increased/decreased by US$0.31 million (2012: US$0.40 million). If the US dollar weakened/strengthened by 5% against the euro, with all other factors unchanged, the surplus for the year would have increased/decreased by US$1.93 million (2012: US$1.79 million).

(c) Credit risk

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

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

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(c) Credit risk (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Association's liability as primary insurer. If a reinsurer fails to pay a claim, the Association remains liable for the payment to the policyholder.

Credit risk on reinsurance balances is mitigated by assessing the creditworthiness of a reinsurer before it is used and strict criteria are applied (including the financial strength of the reinsurer) before a reinsurer is approved. Counterparty limits based on credit ratings are also in place in relation to amounts due from bond issuers and cash and bank deposits.

The following table provides information regarding aggregated credit risk exposure, for financial assets with external credit ratings, as at 31 December 2013. The credit rating bands are provided by independent ratings agencies:

2013	AAA	AA	A	BBB+ or less or not rated	Total
	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	5,001	2,354	–	–	7,355
Assets arising from reinsurance contracts held	–	63,674	293,486	5,856	363,016
Debtors arising out of direct insurance	–	–	–	34,442	34,442
Other debtors	–	–	–	2,249	2,249
Cash and cash equivalents	76,188	4,897	27,987	–	109,072
Other	–	–	–	5,857	5,857
Total assets bearing credit risk	**81,189**	**70,925**	**321,473**	**48,404**	**521,991**

2012	AAA	AA	A	BBB+ or less or not rated	Total
	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	10,001	26,313	–	–	36,314
Assets arising from reinsurance contracts held	–	60,094	310,402	4,295	374,791
Debtors arising out of direct insurance	–	–	–	30,050	30,050
Other debtors	–	–	–	1,049	1,049
Cash and cash equivalents	39,662	5,369	37,834	–	82,865
Other	–	–	–	6,057	6,057
Total assets bearing credit risk	**49,663**	**91,776**	**348,236**	**41,451**	**531,126**

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

The Association's policy is to make a full provision against all reinsurance debts with an age in excess of two years and a fifty percent provision for reinsurance debts between one and two years old. The Association also provides against all amounts due from policyholders and insurance intermediaries that are more than nine months overdue.

After assessing all other financial assets at the end of the year, no objective evidence was found to suggest that any were impaired (2012: no impairments).

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. The Association maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 December 2013 the Association's short term deposits (including cash and UCITs) amounted to US$ 109.1 million (2012: US$82.9 million)

The tables below provide a maturity analysis of the Association's financial assets:

2013		Past due but not impaired					
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	> 1 year	Financial assets that have been impaired	Carrying value in the balance sheet
	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	7,355	–	–	–	–	–	7,355
Assets arising from reinsurance contracts held	362,864	1	25	123	3	–	363,016
Debtors arising out of direct insurance	27,107	6,800	474	61	–	–	34,442
Other debtors	2,249	–	–	–	–		2,249
Cash and cash equivalents	109,072	–	–	–	–	–	109,072
Other	5,857	–	–	–	–	–	5,857
Total	**514,504**	**6,801**	**499**	**184**	**3**	**–**	**521,991**
2012							
Debt securities	36,314	–	–	–	–	–	36,314
Assets arising from reinsurance contracts held	374,548	185	6	4	48	–	374,791
Debtors arising out of direct insurance	24,531	5,519	–	–	–	–	30,050
Other debtors	1,049	–	–	–	–	–	1,049
Cash and cash equivalents	82,865	–	–	–	–	–	82,865
Other	6,057	–	–	–	–	–	6,057
Total	**525,364**	**5,704**	**6**	**4**	**48**	**–**	**531,126**

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk (continued)

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

2013	< 6 months or on demand US$000s	6 months-1 year US$000s	1-2 years US$000s	2-5 years US$000s	> 5 years US$000s	Total US$000s
Debt securities	5,001	–	–	2,354	–	7,355
Debtors arising out of direct insurance	30,010	4,432	–	–	–	34,442
Other debtors	2,249	–	–	–	–	2,249
Cash and cash equivalents	109,072	–	–	–	–	109,072
Creditors	(81,118)	–	–	–	–	(81,118)
Total	**65,214**	**4,432**	**–**	**2,354**	**–**	**72,000**
2012						
Debt securities	26,291	5,018	5,005	–	–	36,314
Debtors arising out of direct insurance	29,440	610	–	–	–	30,050
Other debtors	1,049	–	–	–	–	1,049
Cash and cash equivalents	82,865	–	–	–	–	82,865
Creditors	(66,086)	–	–	–	–	(66,086)
Total	**73,559**	**5,628**	**5,005**	**–**	**–**	**84,192**

(e) Capital management

The Association maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with the Association's risk profile. As at 31 December 2013, the total regulatory capital available amounted to US$55.3 million (2012: US$57.8 million), which exceeded the UK Prudential Regulation Authority requirements.

As at 31 December 2013, the Association held deposits and letters of credit totalling US$52.7 million to meet overseas regulatory requirements (2012: US$63.0 million). This included a letters of credit amounting to US$24.5 million (2012: US$35.0 million) in relation to Hong Kong and a trust fund deposit of US$27.7 million (2012: US$27.6 million) in relation to the US.

The Association's strategy is to maintain sufficient capital to meet regulatory requirements and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case.

Notes to the Financial Statements
31 December 2013 (continued)

Note 3: Management of Financial Risk (continued)

(f) Fair value estimations

From 1 January 2009, the company adopted the amendment to FRS 29. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)

All of the assets and liabilities that are measured at fair value at both 31 December 2013 and 31 December 2012 fall into the Level 1 category, with the exception of the debt securities.

The fair value of financial instruments traded in active markets is based on quoted bid prices as at the balance sheet date. All valuations are taken from external price feeds based upon market prices or broker quotes.

Note 4: Claims paid

Claims paid include claims handling charges paid to the Managers totalling US$9.2 million (2012: US$8.8 million).

Net claims payments and best estimate of claims outstanding at the end of the year in respect of 2012 and prior policy years were US$1.1 million lower than the provision for claims outstanding at the beginning of the year due to better than expected claims development.

Note 5: Reinsurers' share of claims paid

	2013 US$000s	2012 US$000s
Members' reinsurance	**286**	1,318
General reinsurance	**8,827**	4,040
Quota share reinsurance	**10,775**	9,136
Quota share with parent company	**82,754**	66,214
Change in provision for potential unrecoverable reinsurance	**(32)**	(39)
	102,610	80,669

Notes to the Financial Statements
31 December 2013 (continued)

Note 6: Net operating expenses

	2013 US$000s	2012 US$000s
Acquisition costs		
Brokerage and commission	**19,110**	18,680
Management fee in respect of underwriting	**11,940**	12,601
General expenses in respect of underwriting	**1,566**	1,653
Change in deferred acquisition costs	**(22)**	(225)
	32,594	32,709
Administration expenses		
Management fee in respect of management and performance related fee	**8,073**	8,007
General expenses	**1,973**	1,978
Directors' fees	**165**	345
Directors' travelling costs	**33**	71
Auditors' remuneration:		
– Fee payable to the company's auditor for the audit of the company's annual financial statements	**312**	281
Non-audit services		
– Other services pursuant to legislation, including the audit of the regulatory returns	**12**	10
– Tax compliance services	**50**	32
– Tax advisory services	**52**	–
– Other services not covered above	**–**	21
	10,670	10,745
Total operating expenses before commission on reinsurance contracts	**43,264**	43,454
Commission on reinsurance contracts	**(4,760)**	(3,081)
	38,504	40,373

The Directors of the Association and its parent company, TT Bermuda, agree a management fee covering the management of the Association as a whole.

The Association had no employees during the year (2012: none).

Notes to the Financial Statements
31 December 2013 (continued)

Note 7: Investment return

	2013 US$000s	2012 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**740**	998
Net (losses)/gains on the realisation of investments	**(66)**	46
	674	1,044
Exchange losses	**(3,644)**	(355)
Other investment management expenses	**(219)**	–
Interest payable	**(631)**	(296)
Net unrealised losses on investments	**(11)**	(86)
Total investment return	**(3,830)**	307
Investment return is analysed between:		
Allocated investment return transferred to the technical business account	**(1,198)**	93
Net investment return included in the non-technical account	**(2,632)**	214
Total investment return	**(3,830)**	307

Note 8: Tax on ordinary activities

	2013 US$000s	2012 US$000s
(i) Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 23.25% (2012: 24.5%)		
– Adjustments in respect of prior years	**–**	(4)
– Charge in current period	**–**	4
Foreign tax		
– Adjustments in respect of prior years	**(29)**	–
– Charge in current period	**407**	329
	378	329

Notes to the Financial Statements
31 December 2013 (continued)

Note 8: Tax on ordinary activities (continued)

	2013 US$000s	2012 US$000s
(ii) Factors affecting tax charge for the current year		
The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 23.25% (2012: 24.5%) – the differences are explained below:		
Surplus on ordinary activities before tax	**(1,980)**	79
Tax at 23.25% (2012: 24.5%) thereon	**–**	19
Effects of:		
Inland Revenue agreement – 10% of investment profits	**–**	(15)
Adjustments in respect of prior years	**(29)**	(4)
Foreign tax:		
Australia	**402**	328
Singapore	**5**	1
	378	329

A potential deferred tax asset of US$1.1 million (2012: US$1.1 million) in respect of certain unutilised tax losses has not been recognised as there is insufficient evidence that it will be recoverable. This asset would be recovered should sufficient taxable profits be generated in future which would be eligible for relief against the unutilised tax losses.

Note 9: Other financial investments

The Association's financial investments are summarised below by measurement category in the table below;

	Carrying Value		Purchase Price	
	2013 US$000s	2012 US$000s	**2013 US$000s**	2012 US$000s
Held at fair value through profit or loss:				
– debt securities	**7,355**	36,314	**7,380**	36,329
– UCITS	**76,189**	39,662	**76,189**	36,662
	83,544	75,976	**83,569**	72,991

Notes to the Financial Statements
31 December 2013 (continued)

Note 9: Financial investments (continued)

The geographical split of the carrying value of the Association's debt securities is summarised below:

	2013 US$000s	2012 US$000s
United States	**7,355**	31,317
Germany	**–**	4,997
	7,355	36,314

Note 10: Surplus and reserves

	2013 US$000s	2012 US$000s
Balance at beginning of year	**57,660**	57,910
Deficit on ordinary activities after tax	**(2,358)**	(250)
Balance at end of year	**55,302**	57,660

Of the surplus and reserves, US$4.0 million (2012: US$3.9 million) is shown in the accounts of TT Club Mutual Insurance Limited's Singapore branch.

Note 11: Guarantee from parent company

TT Bermuda has issued a guarantee, not to exceed US$2.5 million (2012: US2.5 million), to the Association to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn as 31 December 2013 amounted to nil (2012: nil).

Note 12: Creditors arising from reinsurance ceded

	2013 US$000s	2012 US$000s
Reinsurance premiums ceded	**27,576**	12,739
Accrual for future reinsurance premiums ceded	**37,672**	40,481
	65,248	53,220

Notes to the Financial Statements
31 December 2013 (continued)

Note 13: Segmental information

	2013 US$000s	2012 US$000s
Gross premiums written		
- Members located in UK	**12,985**	12,344
- Members located in other EU states	**29,599**	38,998
- Members located outside EU	**139,301**	126,503
	181,885	177,845

The Association writes only marine, aviation and transport business.

The geographical analysis of surplus on ordinary activities before tax and net assets has not been disclosed as this, in the view of the Directors, would be prejudicial to the interest of the Members.

Note 14: Related party transactionss

TT Club Mutual Insurance Limited is reinsured by its parent Through Transport Mutual Insurance Association Limited under a 90% whole account quota share. TT Club Mutual Insurance Limited is managed by Through Transport Mutual Services (UK) Ltd.

Reinsurers' share of the provision for unearned premiums includes US$37.7 million (2012: US$33.8 million) in relation to the quota share with the parent company. Reinsurers' share of the provision for outstanding claims includes US$226.4 million (2012: US$236.0 million) in relation to the quota share with the parent company.

All other material related party transactions are disclosed separately within the financial statements.

Note 15: Ultimate parent company

The Association's immediate and ultimate parent company and controlling party is Through Transport Mutual Insurance Association Limited, a company incorporated in Bermuda. The financial statements are available from the registered office of the Association.

For further information contact the TT Club at one of its underwriting centres or at any point in the network.

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