TT CLUB
established expertise

ROBUST PERFORMANCE DESPITE INCREASE IN LARGE CLAIMS

Annual Report & Financial Statements for
Through Transport Mutual Insurance Association Limited Bermuda (2015)

TT CLUB
IS MANAGED
BY **THOMAS MILLER**

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Directors and Management

Chairman
K Pontoppidan 2 3
Copenhagen

Deputy Chairman
J Callahan 3
Nautilus International Holding Corporation, Los Angeles

Directors
Chen Xiang (appointed 18 June 2015)
Cosco Container Line, Shanghai

M Engelstoft
A P Møller-Maersk, Copenhagen

T Faries
Appleby, Bermuda

A Fullbrook
OEC Group, New York

G Gluck
M&S Shipping Group Ltd, London

K Hellmann
Hellmann Worldwide Logistics GmbH & Co KG, Osnabrück

B Hsieh
Evergreen Group, Taipei

A Firmin (appointed 18 June 2015)
Hapag-Lloyd AG, Hamburg

S Kelly
Modern Terminals Ltd, Hong Kong

U Kranich 1 2 3
Hamburg

J Küttel
Ermewa, Geneva

C Larrañaga 1
Terminal de Contenidors de Barcelona, Barcelona

T J Leggett 1
Specialist Director - Finance

H Maekawa 3
Kawasaki Kisen Kaisha Ltd, Tokyo

R Murchison
Murchison Group, Argentina

Y Narayan
DP World, Dubai

J Neal (appointed 1 January 2016)
Carrix Inc, Seattle

E O'Toole (resigned 4 June 2015)
International Port Holdings Ltd, London

O Rakkenes
Atlantic Container Line AB, New Jersey

C Sadoski 2 (retired 31 December 2015)
Carrix Inc, Seattle

J Reinhart (appointed 18 June 2015)
Virginia Port Authority, Virginia

N Smedegaard 1
DFDS Group, Copenhagen

CK Tan
Pacific International Lines (Pte) Ltd, Singapore

J Thomson 2
Specialist Director – Investments

E Yao 2
Orient Overseas Container Line Ltd, Hong Kong

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

Company Registration number
1750

Managers
Thomas Miller (Bermuda) Ltd

Company Secretary
Thomas Miller (Bermuda) Limited

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

1 Audit & Risk Committee member

2 Investment Committee member

3 Nominations Committee member

Financial Highlights 2015

	2015 US$000s	2014 US$000s
Results for financial year		
Gross earned premiums	**171,985**	182,215
Brokerage	**(18,415)**	(20,414)
Net earned premiums	**153,570**	161,801
Reinsurance premiums ceded	**(34,054)**	(42,712)
Investment income, gains and losses, and other income	**1,665**	6,100
Interest payable	**(1,887)**	(1,891)
Exchange gains	**100**	368
Net claims incurred	**(84,599)**	(76,278)
Expenses, taxation and minority interest	**(35,718)**	(39,647)
Overriding commission on quota share reinsurances	**5,723**	6,381
Surplus on ordinary activities after tax	**4,800**	14,122

	2015 US$000s	2014 US$000s
Summary balance sheet		
Total cash and investments	**494,858**	508,646
Other assets	**123,248**	101,519
Total assets	**618,106**	610,165
Gross unearned premiums and claims reserves	**(383,140)**	(361,229)
Other liabilities	**(27,607)**	(44,504)
Subordinated loan	**(29,218)**	(29,181)
Total surplus and reserves	**178,141**	175,253

Chairman's Review

Through the first half of 2015 there were signs that the difficult market conditions experienced by container ship operators might at last be changing. Earnings in the first half of the year were up on 2014, but that abruptly changed in the second half of 2015. Volumes in this period, particularly on the key Far East to Europe route reduced, while capacity levels increased. As a result freight rates on some routes approached historic lows, which not even the low bunker prices could offset. The impact of these maritime dynamics was felt throughout the Club's membership segments: those running port and terminal facilities, transport and logistics operators, in addition to container ship operators. Regrettably, the start of 2016 does not appear to be heralding an improved environment; the year does not promise to be a significantly better one for those in the global supply chain industry than 2015.

Conditions in the insurance and reinsurance markets also remain challenging. The generally benign claims environment continues at all claims size levels and this has two significant impacts. First, it positions insurance as an attractive place for investment funds to achieve acceptable levels of return relative to other potential investment areas, with the result that capital continues to flow into the insurance and reinsurance markets. The consequence of this is to increase the level of competition. Second, increases in premium income are low, because claims experience, alongside exposure, is one of the main drivers of premium.

For the Club, 2015 saw the return of large claims following two relatively benign years for such claims in 2013 and 2014. During the year the Club experienced a higher than average number of claims above US$ 1 million and this has impacted operating performance. In spite of this factor, and the soft rating conditions, your Club continues to be in good shape. The work done to improve the health of the insurance book since 2009 has paid off to mitigate the increase in large claims in the year and I expect the Club's rating awarded by AM Best at A- (Excellent) to be maintained in 2016.

Trading Position

After very good years in 2013 and 2014, 2015 was what might be described as a more normal year. The performance of the core book, as evidenced by the performance of claims below US$ 1 million, increasingly demonstrates the hard work in improving the insurance dynamics. In the last five years the average premium per Member has significantly reduced, while the number of medium-sized Members has increased and the limit profile has also improved. The Club is, as a result, better able to cope with the challenging environment.

As noted above, it was in respect of large claims that the Club saw a pick-up in 2015. A number of the Club's Members were involved in the incident in Tianjin and a portion of claims arising from that incident will fall on the Club's reinsurers. That is regrettable, but the incident did demonstrate the Club's understanding of its market. Within a very short period of time the Club's Managers were able to estimate the likely range of claims thereby giving a degree of certainty to key stakeholders, and at a time when others in the industry were forecasting unjustifiably high estimates. I should say at this point that I am grateful to the Club's reinsurers for their support this year and in previous years too. The major part of the reinsurance programme is placed with reinsurers in the Lloyd's of London market, and this market, and the Club's broker which places the Club's business there, have supported the Club since it began operations in 1968. Together they have shared the highs and lows of the Club and its Members and have been and remain a very valuable part of the Club's strong and stable product offering.

Chairman's Review (continued)

In addition to claims from Tianjin, container ship operators also experienced a higher than average number of large claims in the year. Too many of these involved cargo related fires and the spectre of improper carriage of calcium hypochlorite has reared its head again, which is most unwelcome for the industry. The Club will be working with other industry parties to identify how improvements can be made to avoid such incidents in the future.

Premium levels, as I have explained, were kept low in the year, added to which investment income also fell short of the expectations set at the beginning of the year. The fall in Equity markets in December 2015 in particular impacted this significantly and the return for the year was 0.1%. The Club's investment portfolio remains low risk and well suited to coping with the current unstable global investment conditions. In 2015 the Board reviewed the Club's investment mandate and, through the Investment Committee of the Board, it will continue to monitor this area closely.

The surplus for the year was US$ 4.8 million which takes the Club's capital levels to US$ 178.1 million, the seventh consecutive year in which the Club's capital base has grown. The Club maintained for the ninth year its A- (Excellent) financial stability rating with AM Best.

The Club's preparations for the Solvency II regulatory regime in the European Union, which came into force on 1 January 2016, were completed satisfactorily and I am pleased to say proportionately. Through the preparation for this regime the Club has developed its approach to managing financial risk and the Board has an improved range of tools available to it to manage the Club's financial position in order to maintain stability.

Loss Prevention

A core element of the Club's service offering is its approach to the risks faced by the membership. The Club's key focus inevitably relates to matters that are insured by it and, specifically, analysis of the claims experience across the membership. This claims analysis continues to be a key driver for the development of risk management and loss prevention initiatives with individual Members, as well as across the membership and for the industry as a whole.

Alongside this review is set out a case study of the involvement that your Club has had in the development and implementation of the revised SOLAS regulation concerning verified gross mass of packed containers (VGM), coming into force on 1 July 2016. However, this merely typifies the high esteem in which the Club is held in industry circles. Your Club has long sought to collaborate with like-minded organisations in order to understand safety and regulatory concerns through the supply chain and contribute to reaching the 'right result' across the various interest groups. VGM and the CTU Code are high profile examples, but this work is followed through with various partners, including during 2015 the publication of 'Transport of Coiled Materials in Containers' having worked together with the CINS Organisation. The Club also contributed a chapter on insurance to the new edition of IAPH's 'Introduction to Maritime Law for Port Officials'.

Chairman's Review (continued)

However, the key loss prevention activity is always represented by the regular interactions with Members in relation to specific risk issues that are arising in their operations. Such work is integral to the underwriting and claims service processes, but also includes risk surveys and seminars/workshops. The range of topics canvassed is broad, and draws valuably on the Club's expertise and network. Alongside this, the Club interacts with many technology solution providers to assist in identifying viable aids to the industry, recently including advances in tracking capability, general safety and VGM itself. In this respect, TT Club is delighted to be the sponsor for the ICHCA 'Innovation in Safety' award that was presented for the first time in Barcelona in March 2016 by Kitack Lim, the Secretary-General of IMO.

Your Club will continue to be proactive in identifying industry developments and trends that impact operational safety, recognising that controlling risk and reducing exposure to potential claims produces a fundamental benefit to your profitability as well as minimising your insurance spend.

Governance

Two Directors retired from the Board in 2015: Charlie Sadoski and Eliza O'Toole. Mr Sadoski had joined the Club Board in 2004 and, since 2013 served on the Investment Committee. Ms O'Toole joined more recently, in 2011. I would like to thank them both for their contribution during their time as Directors of the Club.

During the year we welcomed Chen Xiang, Anthony Firmin and John Reinhart to the Board; my Board colleagues and I look forward to working with them in the interests of the Members. I am delighted that we continue to be able to attract high quality individuals to represent Members' interests and I can tell you that your Club Board is made up of such a strong group of individuals who are representative of the membership by region and category of operator, and who between them bring a broad range of experience and skills to the governance of the Club

This year the Club Board will meet in Singapore (March), Barcelona (June) and New York (November). Member events will be held alongside these meetings.

My fellow Directors and I continue to be keen to learn about Members' and their brokers' experiences of the Club, together with suggestions for improvement. The very high retention levels in 2015 at 93% and the all-time high satisfaction level at the Customer Satisfaction Survey in 2014 paint a picture of a Membership whose expectations are being met, if not exceeded. The Board also receives a report each year on the results of 'exit interviews' of Members that have left the Club. This year, 2016, we are again running a Customer Satisfaction Survey. The feedback from the Survey is very valuable in helping the Board to improve the Club's products and services. The apparent high levels of satisfaction are pleasing to note, but we are not complacent about them and do not take for granted their continuance. If you can see areas for improvement please do let whoever your usual contact with the Club is, including me, know.

Chairman's Review (continued)

Finally I would like to thank the Managers for another year in which they have delivered dedicated and expert service to the Club's Membership. On this occasion could I particularly thank those who operate in the regions and who are so key to providing the Club's product and service on the ground to the Club's Members and its brokers. The Board and I recognise how important this work is, and how well it is performed year after year. I would also like to thank all Members and their brokers for their support in what continues to be a time of challenges.

K Pontoppidan, *Chairman*
17 March 2016

Inside the industry: Case study
The current furore concerning the implementation of the revised International Convention for the Safety of Life at Sea (SOLAS) regulation requiring verified gross mass (VGM) of packed containers provides an ideal case study. It is almost a decade ago that the Club started discussing with industry stakeholders the impact of weight arising in incidents on land and at sea, including stow collapses and loss of containers overboard.

These issues were given profile at the International Maritime Organization (IMO) in September 2010 by the presentation of the UK Maritime Accident Investigation Branch (MAIB) report into the causes leading to grounding 'MSC Napoli' in January 2007, concurrently with the 'Lashing@Sea' report prepared by the Maritime Research Institute of the Netherlands (MARIN). Both these reports demonstrated some key safety issues in the maritime mode, many (not all) of which have resulted in review and amendment of related international provisions.

One element that was taken forward in working group related to the variability in the accuracy of cargo weight declaration. The Club participated in all the working group meetings (under the auspices of the ICHCA International NGO status at IMO, but working closely with other NGOs, such as the World Shipping Council, and delegations from Maritime Administrations). This resulted, in November 2014, in the adoption of an amendment to SOLAS mandating VGM as a pre-condition of loading packed containers onto a ship.

The amendment specifically names the 'shipper', the 'master' and the 'terminal representative'. The shipper is required to present a signed document stating the VGM for his container. The master (representing the carrier) and the terminal representative, who will receive and handle the container, are obliged to ensure that only containers with VGM are loaded onto a ship. Importantly, there is improved clarity now as to what comprises gross mass for SOLAS purposes – the mass of everything put into the container and the tare mass of the unit itself – which will frequently differ from other mass requirements, such as customs.

Recognising that the historic, current and future challenge may well be more to do with processes by which such gross mass is obtained, signed for, communicated and used accurately throughout the transaction, the Club has actively engaged with stakeholders throughout the supply chain in many jurisdictions.

This is an issue that impacts every Member involved in the container supply chain, which represents the heart of the Club. As such, the Club has seized the issue and continues to promulgate clear advice to each category, as well as being in the vanguard of thought leadership in the industry. The Club has also set up a dedicated webpage on this matter:
http://www.ttclub.com/loss-prevention/publications/container-weighing/.

Strategic Report

The Directors present herewith their strategic report for the year ended 31 December 2015.

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.

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

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.

FRS102 transition

This is the first year that Through Transport Mutual Insurance Association Limited has adopted FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Prior year financial statements have been restated for material adjustments on adoption of FRS 102 in the current year.

Financial performance, capital strength and solvency

Gross earned premiums amounted to US$ 172.0 million which was 5.7% lower than 2014 due to rate decreases and exchange rate movements.

The forecast ultimate loss ratio for the 2015 policy year is 83% which is 5 points higher than the 2014 year at the same stage due to an increase in the number and quantum of large claims during the year together with the impact of premium rate decreases. Prior policy year claims have been lower than expected, resulting in a release of prior year best estimate claims reserves, excluding currency effects, of US$ 10.0 million (2014: US$ 16.6 million).

The technical result for 2015, after allowing for the attribution of investment income on the claims reserves, was a surplus of US$5.1 million (2014: surplus of US$ 14.2 million). The underlying investment return, excluding currency effects, was 0.1%. The non-technical account produced a deficit of US$ 0.3 million (2014: deficit of US$ 0.1 million), resulting in an overall net surplus after tax of US$ 4.8 million (2014: surplus of US$ 14.1 million).

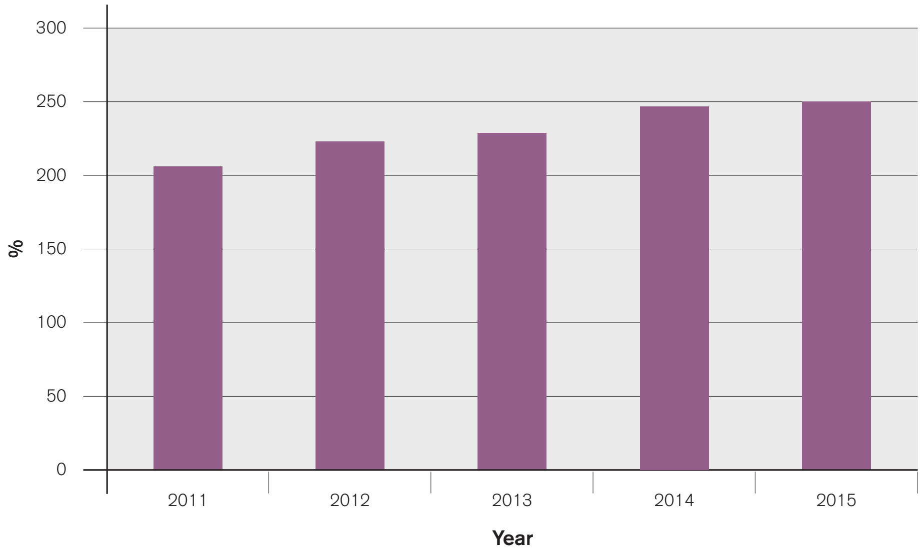
As a result the Group's surplus and reserves now stand at US$ 178.1 million (2014: US$ 175.3 million). In addition to this, the Group's regulatory capital includes US$ 29.2 million in subordinated loan notes issued by the parent company in October 2006. The notes mature in 2036 and are repayable at the company's option from October 2011, subject to regulatory approval.

Strategic Report (continued)

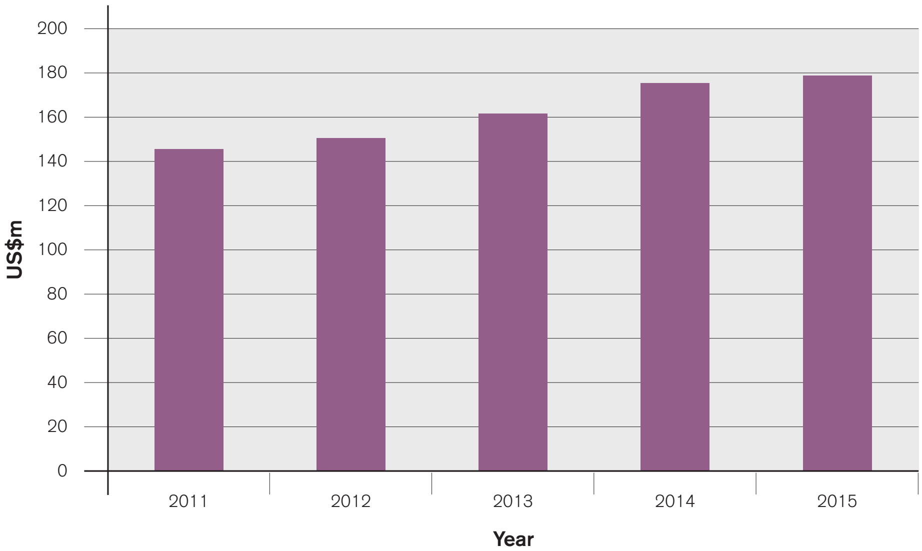
The principal KPIs by which performance is monitored by the Board are detailed below.

1. **Financial strength –** AM Best rating
   The Group has had a rating of A- (Excellent) since 2007.

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



3. **Capital –** surplus and reserves

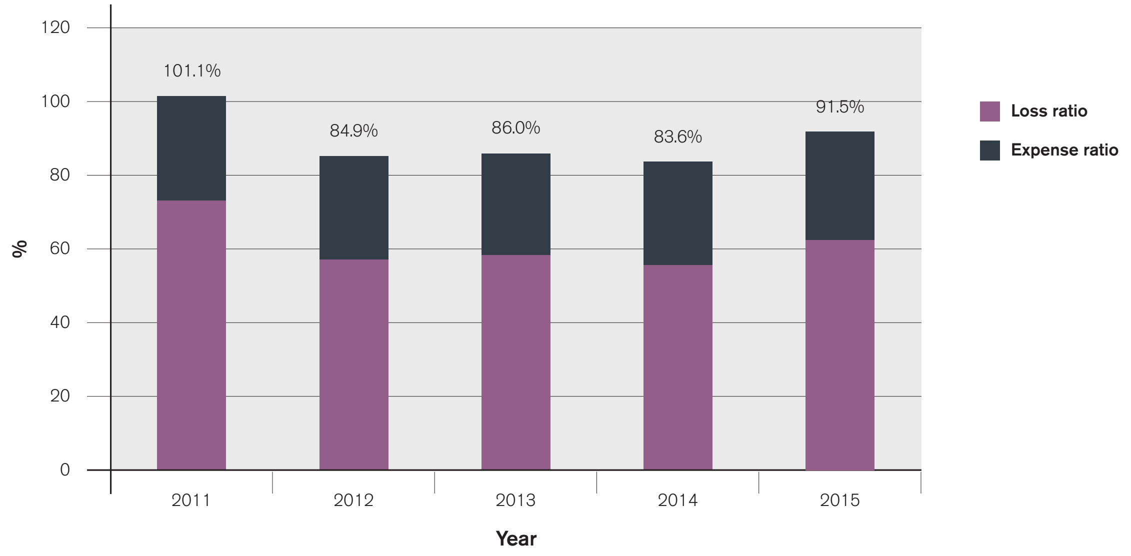


The Group's financial strategy, approved by the Board, is to maintain within the business sufficient capital to meet regulatory requirements, and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case. The Directors are satisfied that both elements of this strategy have been maintained throughout 2015.

Strategic Report (continued)

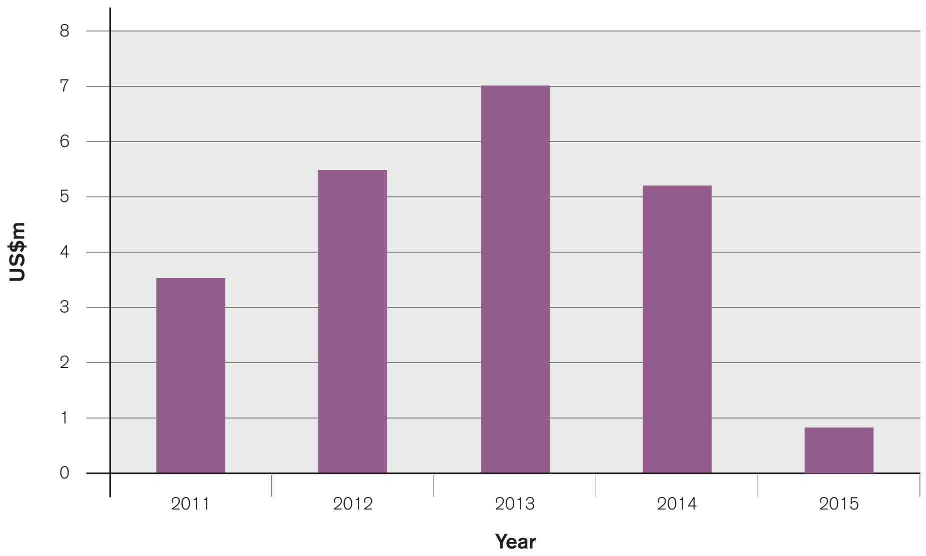
4. Operating ratios – loss ratio, expense ratio and combined ratio, excluded the estimated effect of exchange movements on claims reserves

Combined ratio



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

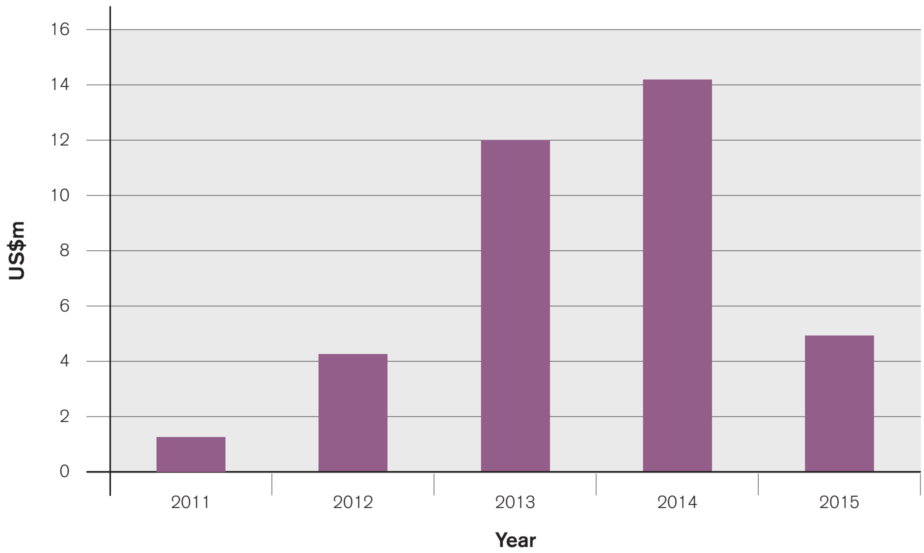
Investment return



Strategic Report (continued)

6. Net result – income and expenditure surplus after tax

Net result



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

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.

By approval of the Board

Thomas Miller (Bermuda) Limited, *Company Secretary*
17 March 2016

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’.

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

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

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

Directors' Report (continued)

Risks and risk management (continued)
The principal risks and uncertainties faced by the business are summarised as follows:

Insurance risk

Insurance risk is the potential adverse financial impact on 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 (refer to note 4)

Financial risks

Financial risks consist of:

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

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

Operational risk

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

Directors' Report (continued)

Operational risk (continued)

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.

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 2. 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 2015, K Pontoppidan was re-appointed as Chairman of the Board. J Callahan was 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 three occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Bye-Laws of the Association. The number of Directors present at these meetings was 13, 18 and 17 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 2015 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 2014 were approved by the Board for submission to the Members of the Association at the Annual General Meeting. The Directors confirmed their intention not to levy any supplementary premium for the 2014 policy year and in addition, closed 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 2015.

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 five occasions during 2015.

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 three occasions during 2015.

Statement of disclosure of information to auditors

Each of the persons who are 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 2015 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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointed will be proposed at the Annual General Meeting.

By approval of the Board

Thomas Miller (Bermuda) Limited, *Company Secretary*
17 March 2016

Directors' Responsibilities Statement

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

The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required to give a true and fair view of the state of affairs of 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

Thomas Miller (Bermuda) Limited, *Company Secretary*
17 March 2016

Notice of Meeting

Notice is hereby given that the forty-seventh Annual General Meeting of the Members of the Association will be held at the Hotel Palace, Barcelona, on the sixteenth day of June 2016 at 8.45 am for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 December 2015 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

Thomas Miller (Bermuda) Limited, *Company Secretary*
17 March 2016

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

Report on the Group and parent company financial statements

Our opinion

In our opinion, Through Transport Mutual Insurance Association Limited's Group and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2015 and of its profit and 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).

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position and the Parent Statement of Financial Position as at 31 December 2015;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year ended 31 December 2015;
- the Consolidated Statement of Changes in Equity for the year ended 31 December 2015;
- the Parent Statement of Changes in Equity for the year ended 31 December 2015;
- the Consolidated Statement of Cash Flows for the year ended 31 December 2015;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

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.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 18 the directors are responsible for the preparation of the financial statements 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 and International Standards on Auditing (UK and Ireland) ("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 Group and parent company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with 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 Group 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Consolidated 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.

PricewaterhouseCoopers LLP
Chartered Accountants, London, United Kingdom
17 March 2016

Consolidated Income Statement for the year ended 31 December 2015

Technical Account

	Note	US$000s	2015 US$000s	US$000s	Restated 2014 US$000s
Gross premiums written			**173,691**		179,946
Reinsurance premiums ceded			**(34,342)**		(40,377)
Premiums written, net of reinsurance			**139,349**		139,569
Change in provision for unearned premiums					
Gross		**(1,706)**		2,269	
Reinsurers' share		**288**		(2,539)	
			(1,418)		(270)
Earned premiums, net of reinsurance			**137,931**		139,299
Allocated investment return transferred from the non-technical account	*2(i)*		**(594)**		2,231
Other technical income			**17**		19
Claims paid					
Gross	*5*	**(89,961)**		(89,971)	
Reinsurers' share		**12,782**		20,443	
		(77,179)		(69,528)	
Change in the provision for claims					
Gross		**(31,513)**		25,106	
Reinsurers' share		**24,093**		(31,856)	
		(7,420)		(6,750)	
Claims incurred, net of reinsurance			**(84,599)**		(76,278)
Net operating expenses	*9*		**(47,639)**		(51,097)
Balance on the technical account			**5,116**		14,174

All activities derive from continuing operations.

Consolidated Income Statement for the year ended 31 December 2015 (continued)

Non-technical Account

	Note	2015 US$000s	Restated 2014 US$000s
Balance on the technical account		**5,116**	14,174
Investment income		**6,341**	4,541
Unrealised (losses)/gains on investments		**(5,560)**	656
Exchange gains		**100**	368
Interest payable		**(1,887)**	(1,891)
Total investment return	*10*	**(1,006)**	3,674
Allocated investment return transferred to the technical account	*2(j) & 10*	**594**	(2,231)
Surplus on ordinary activities before tax		**4,704**	15,617
Tax on ordinary activities	*11*	**96**	(1,495)
Surplus on ordinary activities after tax		**4,800**	14,122

Consolidated Statement of Comprehensive Income

	2015 US$000s	Restated 2014 US$000s
Surplus for the year	**4,800**	14,122
Other comprehensive income:		
Losses arising on cash flow hedges during the period	**(2,370)**	(1,884)
Less: reclassification to profit and loss	**456**	(1,249)
	(1,914)	(3,133)
Total comprehensive income for the year attributable to members	**2,886**	10,989

All activities derive from continuing operations and are attributable to members.
The notes on pages 27 to 57 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2015

	Note	Consolidated 2015 US$000s	Consolidated Restated 2014 US$000s	Parent Company 2015 US$000s	Parent Company Restated 2014 US$000s
Assets					
Investments					
Shares in subsidiary undertakings	12	**–**	–	**12**	12
Other financial investments	13	**453,307**	468,810	**368,034**	378,489
Derivative financial instruments	14	**805**	333	**805**	333
Reinsurers' share of technical provisions					
Provision for unearned premiums		**9,930**	9,643	**–**	–
Claims outstanding		**65,837**	42,955	**1,742**	1,350
		75,767	52,598	**1,742**	1,350
Debtors					
Arising out of direct insurance operations - policyholders		**36,871**	35,956	**2,472**	1,736
Arising out of reinsurance insurance operations		**466**	3,469	**37,630**	37,385
Amounts due from group undertakings		**–**	–	**17,195**	9,773
Corporation tax debtor		**996**	871	**–**	–
Other debtors		**796**	1,201	**6**	55
		39,129	41,497	**57,303**	48,949
Cash at bank and in hand		**41,551**	39,836	**8,886**	5,108
Prepayments and accrued income					
Accrued interest		**665**	619	**524**	617
Deferred acquisition costs		**6,427**	6,241	**665**	519
Prepayments		**455**	231	**288**	186
		7,547	7,091	**1,477**	1,322
Total assets		**618,106**	610,165	**438,259**	435,563

Consolidated Statement of Financial Position as at 31 December 2015 (continued)

	Note	Consolidated 2015 US$000s	Consolidated Restated 2014 US$000s	Parent Company 2015 US$000s	Parent Company Restated 2014 US$000s
Liabilities and reserves					
Reserves					
Statutory reserve		**240**	240	**240**	240
Surplus and reserves		**180,309**	175,507	**128,731**	120,598
Cash flow hedging reserve	14	**(2,408)**	(494)	**(2,408)**	(494)
		178,141	175,253	**126,563**	120,344
Subordinated liabilities	15	**29,218**	29,181	**29,218**	29,181
Technical provisions					
Provision for unearned premiums – gross		**61,954**	60,248	**42,095**	40,758
Claims outstanding – gross		**321,186**	300,981	**233,253**	234,836
		383,140	361,229	**275,348**	275,594
Creditors					
Arising out of direct insurance operations		**–**	85	**–**	–
Arising out of reinsurance insurance operations		**19,348**	30,439	**1,295**	727
Derivative financial instruments		**2,595**	1,582	**2,595**	1,582
Other creditors including taxation and social security		**1,997**	4,803	**281**	1,628
		21,940	36,910	**4,171**	3,938
Accruals and deferred income		**3,703**	7,629	**2,959**	6,506
		27,643	44,538	**7,130**	10,444
Equity minority interest		**(36)**	(36)	**–**	–
Total liabilities and reserves		**618,106**	610,165	**438,259**	435,563

The notes on pages 27 to 57 form an integral part of these financial statements.

The financial statements on pages 20 to 57 were approved by the Board of Directors on 17 March 2016 and were signed on its behalf by:

K Pontoppidan, *Director*
J Callahan, *Director*

Company Registered Number
1750

Consolidated Statement of Changes in Equity as at 31 December 2015

	Statutory Reserve US$000s	Surplus and Reserve US$000s	Hedging Reserve US$000s	Total US$000s
As at 31 December 2013:	240	161,385	–	161,625
Changes on transition to FRS102	–	–	2,639	2,639
As at 1 January 2014:	**240**	**161,385**	**2,639**	**164,264**
Surplus for the year	–	14,122	–	14,122
Other comprehensive income	–	–	(3,133)	(3,133)
Total comprehensive income for the year	–	14,122	(3,133)	10,989
As at 31 December 2014:	**240**	**175,507**	**(494)**	**175,253**
As at 31 December 2015:				
Surplus for the year	–	4,800	–	4,800
Other comprehensive income	–	–	(1,914)	(1,914)
Total comprehensive income for the year	–	4,800	(1,914)	2,886
31 December 2015:	**240**	**180,309**	**(2,408)**	**178,141**

Parent Statement of Changes in Equity as at 31 December 2015

	Statutory Reserve US$000s	Surplus and Reserve US$000s	Hedging Reserve US$000s	Total US$000s
As at 31 December 2013:	240	106,088	–	106,328
Changes on transition to FRS102	–	–	2,639	2,639
As at 1 January 2014:	**240**	**106,088**	**2,639**	**108,967**
Surplus for the year	–	14,510	–	14,510
Other comprehensive income	–	–	(3,133)	(3,133)
Total comprehensive income for the year	–	14,510	(3,133)	11,377
As at 31 December 2014:	**240**	**120,598**	**(494)**	**120,344**
As at 31 December 2015:				
Surplus for the year	–	8,133	–	8,133
Other comprehensive income	–	–	(1,914)	(1,914)
Total comprehensive income for the year	–	8,133	(1,914)	6,219
31 December 2015:	**240**	**128,731**	**(2,408)**	**126,563**

Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Note	2015 US$000s	2014 US$000s
Cash flows from operating activities			
Premiums received from Members		**154,090**	158,055
Reinsurance premiums ceded paid		**(45,434)**	(37,507)
Claims paid		**(90,025)**	(101,232)
Reinsurance receipts in respect of claims		**15,785**	29,822
Investment income		**6,296**	4,665
Management fee paid		**(28,923)**	(32,193)
Expenses paid		**(12,181)**	(1,877)
Other operating cash movements		**17**	1
Overriding commissions on quota share reinsurance		**5,722**	5,802
Taxation paid		**(536)**	(2,380)
Net cash generated from operating activities		**4,812**	23,156
Cash flows from investment activities			
Net payments for acquisition of equity/debt instruments		**(63,138)**	(50,470)
Net cash flows from investing activities		**(63,138)**	(50,470)
Cash flows from financing activities			
Interest paid		**(1,887)**	(1,853)
Net cash flows from financing activities		**(1,887)**	(1,853)
Net decrease in cash and cash equivalents		**(60,214)**	(29,167)
Cash and cash equivalents at the start of the year		**140,993**	172,751
Effect of exchange rate fluctuations on cash and cash equivalents		**(417)**	(2,591)
Cash and cash equivalents at the end of the year (UCITS and cash at bank and in hand:	*13 4(b)*	**80,362**	140,993

Cash Equivalents (UCITS) 2015: 38.8 million (2014:101.2 million), Cash at bank and in hand 2015: 41.6 million (2014: 39.8 million)

Notes to the Consolidated Financial Statements
31 December 2015

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 (statement of compliance)

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 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 compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006. The Group financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations relating to insurance groups.

On adoption of FRS 102, certain items in the prior year financial statements have been restated in the current year to comply with the new reporting requirements.

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

(b) Premiums

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

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

(c) Unearned premiums

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

Notes to the Consolidated Financial Statements 31 December 2015 (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 include 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 statement.

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

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

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

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

(f) Reinsurance recoveries

The liabilities of the Group are reinsured above certain levels and for certain specific risks.

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

Notes to the Consolidated Financial Statements
31 December 2015 (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 statement of financial position date and are shown as assets in the statement of financial position. Amounts deferred are amortised over the life of the associated insurance contract.

(h) Financial assets
The Association has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation and disclosure of its financial assets. Financial assets are classified between the following categories: financial assets at fair value through profit or loss and loans and receivables. 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 statement of financial position at market value translated at year end rates of exchange. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of investments denominated in currencies other than 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 Statement within 'Unrealised gains/ (losses) on investments' in the period in which they arise.

Notes to the Consolidated Financial Statements
31 December 2015 (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 and are carried at cost less provision for impairment. 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.

Derivative financial instruments

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

Non-hedge Derivative Financial Instruments

Non-hedge derivative financial instruments include open foreign currency contracts. They are designated as fair value through profit and loss. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Changes in fair value are charged or credited to the 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.

Hedge Derivative Financial Instruments

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14. Movements on the hedging reserve are shown in the consolidated statement of changes in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated statement of comprehensive income within 'net fair value gains on financial assets at fair value through profit and loss'.

Amounts accumulated in reserves are recycled to income in the periods in which the hedged item affects profit or loss (for example, when the hedged forecast transaction takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 2: Accounting policies (continued)

(h) Financial assets (continued)

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, with original maturities of three months or less.

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

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

The movement in unrealised gains and losses on investments represents the difference between the fair value at the 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 actual investment return to the technical account based on the average ratio of outstanding claims to funds available to meet outstanding claims.

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

(j) 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. Non-monetary assets and liabilities are carried at the exchange rate prevailing at the date of the transaction.

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

(k) 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.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 2: Accounting policies (continued)

(k) Policy year accounting (continued)
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

(l) 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.

(m) 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.

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

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 2: Accounting policies (continued)

(o) Taxation

Deferred tax

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.

Current Tax

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

(p) Subordinated liabilities

In accordance with Financial Reporting Standard 11, 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.

(q) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment. The Company reviews the carrying value of its subsidiaries at each balance sheet date where there has been an indication that impairment has occurred. If the carrying value of a subsidiary undertaking is impaired, the carrying value is reduced through a charge to the income and expenditure account.

(r) Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Further details can be found in note 17.

Note 3: Critical accounting estimates and judgments and estimation uncertainty

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

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 3: Critical accounting estimates and judgments and estimation uncertainty (continued)

The ultimate liability arising from claims made under insurance contracts

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

Pipeline premiums

The Group makes an estimate of premiums written during the year that have not been notified in the financial year ('pipeline premiums') as detailed in note 2 (b). 2015 US$ 4.00 million (2014: US$5.29 million)

Note 4: 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 Directors' Report on page 12.

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 Directors' Report.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(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$ 4.35 million fall in market value of the Group's investments (2014: US$ 5.37 Million fall). A decrease in 100 basis points in interest rates would result in a US$ 4.35 million increase in the market value of the Group's investments (2014: US$ 5.37 million increase).

(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.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(b) Currency risk (continued)

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 2015:

	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	356,254	16,362	10,300	–	382,916
Equity shares	14,424	7,787	9,369	–	31,580
Derivative financial instruments	(5,570)	(15,288)	21,663	–	805
Assets arising from reinsurance contracts held	72,980	23	396	2,834	76,233
Debtors arising from insurance contracts	29,092	2,168	3,807	1,805	36,872
Other debtors	88	1	23	684	796
Cash and cash equivalents	47,643	6,472	3,397	22,850	80,362
Other	6,889	261	28	1,365	8,543
Total	**521,800**	**17,786**	**48,983**	**29,538**	**618,107**

Cash and cash equivalents are made up of cash at bank and in hand, and Undertakings for Collective Investment in Transferable Securities (UCITS). See note 13: Other financial investments.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(b) Currency risk (continued)

As at 31 December 2015 the currency split of the Group's claims estimates was as follows: US$ 249.6 million in US dollars and currencies pegged to the US dollar, US$ 11.8 million in Pounds Sterling, US$ 32.4 million in Euros and US$ 27.3 million in other currencies.

As at 31 December 2014:

	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	306,658	12,830	20,259	–	339,747
Equity shares	23,778	3,373	–	–	27,151
Derivative financial instruments	3,589	4,506	(7,762)	–	333
Assets arising from reinsurance contracts held	53,833	14	931	1,289	56,067
Debtors arising from insurance contracts	29,859	2,683	1,900	1,514	35,956
Other debtors	856	23	–	322	1,201
Cash and cash equivalents	104,388	12,838	2,198	21,569	140,993
Other	3,910	2,292	126	1,634	7,962
Total	**526,871**	**38,559**	**17,652**	**26,328**	**609,410**

At 31 December 2015, 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$ 1.47 million (2014: US$ 0.86 million). At 31 December 2014, 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$ 0.27 million (2014: US$ 0.24 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 Consolidated Financial Statements
31 December 2015 (continued)

Note 4: 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 2015. The credit rating bands are provided by independent ratings agencies:

2015	AAA	AA	A	BBB+ or less or not rated	Total
	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	56,368	288,602	32,164	5,782	382,916
Equity Shares	–	–	–	31,580	31,580
Derivative financial instruments	–	–	–	805	805
Assets arising from reinsurance contracts held	–	39,861	32,245	4,127	76,233
Debtors arising out of direct insurance	–	–	–	36,872	36,872
Other debtors	–	–	–	796	796
Cash and cash equivalents	35,310	59	41,551	3,442	80,362
Other	–	–	–	8,543	8,543
Total	**91,678**	**328,522**	**105,960**	**91,947**	**618,107**
2014					
Debt securities	44,672	263,368	26,669	5,038	339,747
Equity Shares	–	–	–	27,151	27,151
Derivative financial instruments	–	–	–	333	333
Assets arising from reinsurance contracts held		40,936	10,457	4,674	56,067
Debtors arising out of direct insurance	–	–	–	35,956	35,956
Other debtors	–	–	–	1,201	1,201
Cash and cash equivalents	101,157	6,074	33,637	125	140,993
Other	–	–	–	7,962	7,962
Total	**145,829**	**310,378**	**70,763**	**82,440**	**609,410**

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 (2014: no impairments).

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. 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 2015, the Group's short term deposits (including cash and UCITs) amounted to US$ 80.4 million (2014: US$ 141.0 million).

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

2015		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	414,496	–	–	–	–	–	414,496
Derivative financial instruments	805	–	–	–	–	–	805
Assets arising from reinsurance contracts held	76,233	–	–	–	–	–	76,233
Debtors arising out of direct insurance	28,798	7,018	1,056	–	–	–	36,872
Other debtors	796	–	–	–	–	–	796
Cash and cash equivalents	80,362	–	–	–	–	–	80,362
Other	8,543	–	–	–	–	–	8,543
Total	**610,033**	**7,018**	**1,056**	**–**	**–**	**–**	**618,107**
2014							
Debt securities and equity shares	366,898	–	–	–	–	–	366,898
Derivative financial instruments	333	–	–	–	–	–	333
Assets arising from reinsurance contracts held	55,733	(3)	12	289	36	–	56,067
Debtors arising out of direct insurance	26,429	8,693	858	(24)	–	–	35,956
Other debtors	1,201	–	–	–	–	–	1,201
Cash and cash equivalents	140,993	–	–	–	–	–	140,993
Other	7,962	–	–	–	–	–	7,962
Total	**599,549**	**8,690**	**870**	**265**	**36**	**–**	**609,410**

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: 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:

2015	0-3 months US$000s	3-6 months US$000s	6 months –1 year US$000s	> 1year US$000s	Total US$000s
Forward currency contracts	618	–	–	–	618
Cash flow hedge	–	–	(2,408)	–	2,408
Total	**618**	**–**	**(2,408)**	**–**	**(1,790)**
2014					
Forward currency contracts	(755)	–	–	–	(755)
Cash flow hedge	–	–	(494)	–	(494)
Total	**(755)**	**–**	**(494)**	**–**	**(1,249)**

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

2015	< 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	196,085	5,936	116,880	85,694	9,899	414,494
Derivative financial instruments	–	805	–	–	–	805
Debtors arising out of direct insurance	32,744	4,128	–	–	–	36,872
Other debtors	795	–	–	–	–	795
Cash and cash equivalents	80,362	–	–	–	–	80,362
Subordinated loan	–	–	–	–	(29,218)	(29,218)
Creditors	(27,642)	–	–	–	–	(27,642)
Sub Total	**282,344**	**10,869**	**116,880**	**85,694**	**(19,319)**	**476,468**
Claims outstanding	(39,180)	(39,180)	(94,398)	(81,669)	(66,758)	(321,186)
Total	**243,164**	**(28,311)**	**22,483**	**4,025**	**(86,077)**	**155,282**

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk (continued)

2014	< 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	176,037	14,744	38,767	132,312	5,038	366,898
Derivative financial instruments	–	333	–	–	–	333
Debtors arising out of direct insurance	30,438	5,454	64	–	–	35,956
Other debtors	1,201	–	–	–	–	1,201
Cash and cash equivalents	140,993	–	–	–	–	140,993
Subordinated loan	–	–	–	–	(29,181)	(29,181)
Creditors	(44,539)	–	–	–	–	(44,539)
Sub Total	**304,130**	**20,531**	**38,831**	**132,312**	**(24,143)**	**471,661**
Claims outstanding	(36,716)	(36,715)	(88,459)	(76,531)	(62,559)	(300,981)
Total	**267,414**	**(16,184)**	**(49,628)**	**55,781**	**(86,702)**	**170,681**

(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 2015 the Group's total regulatory capital available amounted to US$ 209.5 million (2014: US$ 204.7 million) made up surplus and reserves of US$ 180.3 million (2014: US$ 175.5) and subordinated debt of US$ 29.2 million (2014: US$ 29.2 million).

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(e) Capital management (continued)

As at 31 December 2015, the Group held deposits and letters of credit totalling US$ 66.2 million to meet overseas regulatory requirements (2014: US$ 66.2 million). This includes collateralised letters of credit amounting to US$ 24.5 million (2014: US$ 24.5 million) in relation to Hong Kong and a trust fund deposit of US$ 41.2 million (2014: US$ 41.2 million) in relation to the US.

Solvency II

The Group continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). During the year to 31 December 2015 the group complied with Solvency I regulation. On 01 January 2016, the Solvency II regime came in to force; 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 per cent confidence level of solvency. Over the past twelve months, the Group has prepared for Solvency II through the development and adoption of a risk appetite statement, development of its ORSA process and report and carrying out reporting comparisons in relation to Own Funds and the Solvency II Balance Sheet.

(f) Fair value estimations

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

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

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

Level C – Valuation techniques using observable & unobservable market data

All of the Group's financial assets and liabilities that are measured at fair value at both 31 December 2015 and 31 December 2014 fall into the Level A category with the exception of the debt securities and forward currency contracts, which fall into Level B.

All of the assets and liabilities that are measured at fair value at both 31 December 2015 and 31 December 2014 fall into the Level A category, with the exception of the debt securities, which fall into level B.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(f) Fair value estimations (continued)

Consolidated	2015 Level A US$000s	2015 Level B US$000s	2015 Total US$000s	2014 Level A US$000s	2014 Level B US$000s	2014 Total US$000s
Debt securities	–	382,916	382,916	–	339,747	339,747
Equities	31,580	–	31,580	27,151	–	27,151
Derivative financial instruments	–	805	805	–	333	333
UCITS	38,811	–	38,811	101,157	–	101,157
Financial assets held at fair value through profit and loss	**70,391**	**382,721**	**454,112**	**128,308**	**340,080**	**468,388**

Parent Company	2015 Level A US$000s	2015 Level B US$000s	2015 Total US$000s	2014 Level A US$000s	2014 Level B US$000s	2014 Total US$000s
Debt securities	–	313,523	313,523	–	328,015	328,015
Equities	31,580	–	31,580	27,151	–	27,151
Derivative financial instruments	–	805	805	–	333	333
UCITS	22,931	–	22,931	22,568	–	22,568
Financial assets held at fair value through profit and loss	**54,511**	**314,328**	**368,839**	**49,719**	**328,348**	**378,067**

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Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(g) Insurance Risk

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

Sensitivity to insurance risk

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

	2015 US$000s	2014 US$000s
1% increase in net reserves reduces surplus before tax and equity by:	**2,553**	2,580

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

(i) Underwriting process

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

(ii) Reinsurance

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

(iii) Management of claims cost

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

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 4: Management of Financial Risk (continued)

(iv) Reserving process

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

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

Note 5: Claims paid

(i) Claims paid

Claims paid include claims handling charges paid to the Managers totalling US$ 11.7 million (2014: US$ 11.4 million).

(ii) Insurance contract liabilities and assets

Movement in insurance liabilities and reinsurance assets

	2015 Gross US$000s	**2015 RI US$000s**	**2015 Net US$000s**	2014 Gross US$000s	2014 RI US$000s	2014 Net US$000s
Technical provisions at the beginning of the year	**300,981**	**(42,955)**	**258,026**	338,774	(76,298)	262,476
Claims paid (recovered)	**(89,961)**	**12,782**	**(77,180)**	(89,971)	20,443	(69,528)
Claims incurred	**121,474**	**(36,875)**	**84,599**	64,864	11,413	76,277
Exchange differences	**(11,309)**	**1,211**	**(10,098)**	(12,686)	1,487	(11,199)
Technical provisions at the end of the year	**321,185**	**(65,837)**	**255,347**	300,981	(42,955)	258,026

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 5: (continued)

Claims development tables

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

Movement in prior year's provision for claims outstanding

Prior year reserves were released during the year of US$ 13.7 million (2014: US$ 20.7 million released)

Assumptions underlying insurance balances

Reserving process

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

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

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 5: (continued)

(i) Claims paid (continued)

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

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

Insurance claims – gross

Estimate of ultimate claims costs attributable to the policy year

Reporting year	2010 US$000s	2011 US$000s	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s
At end of the reporting year	**115,978**	**122,414**	**40,467**	**118,652**	**119,166**	**140,646**
1 year later	**123,417**	**155,471**	**138,007**	**104,326**	**103,435**	–
2 years later	**120,558**	**152,172**	**127,693**	**94,008**	–	–
3 years later	**109,737**	**122,718**	**129,305**	–	–	–
4 years later	**107,836**	**117,942**	–	–	–	–
5 years later	**110,276**	–	–	–	–	–
Estimate of ultimate claims	**110,276**	**117,942**	**129,305**	**94,008**	**103,435**	**140,646**
Cumulative payments to date	**91,959**	**90,805**	**91,169**	**61,423**	**42,841**	**18,367**
Liability recognised in statement of financial position	18,317	27,137	38,136	32,585	60,594	122,279

	Total US$000s
Total liability relating to 2010-2015 year	299,048
Other claims liabilities relating to 2009 and prior year	22,138
Total technical provisions included in statement of financial position	321,186

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 5: (continued)

(i) Claims paid (continued)

Insurance claims – net

Estimate of ultimate claims costs attributable to the policy year

Reporting year	2010 US$000s	2011 US$000s	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s
At end of the reporting year	**101,219**	**107,587**	**117,771**	**102,087**	**104,655**	**107,318**
1 year later	**106,569**	**110,497**	**114,259**	**91,023**	**90,219**	–
2 years later	**104,028**	**111,617**	**106,541**	**81,689**	–	–
3 years later	**94,549**	**101,386**	**99,846**	–	–	–
4 years later	**92,082**	**99,662**	–	–	–	–
5 years later	**94,609**	–	–	–	–	–
Estimate of ultimate claims	**94,609**	**99,662**	**99,846**	**81,689**	**90,219**	**107,318**
Cumulative payments to date	**76,294**	**76,116**	**77,992**	**53,464**	**37,259**	**15,160**
Liability recognised in statement of financial position	18,315	23,546	21,854	28,225	52,960	92,158

	Total US$000s
Total liability relating to 2010-2015 year	237,058
Other claims liabilities relating to 2009 and prior year	18,291
Total technical provisions included in statement of financial position	255,349

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 6: Deferred acquisition costs

	2015 US$000s	2014 US$000s
On insurance contracts	**6,427**	6,241
	6,427	6,241

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

	2015 US$000s	2014 US$000s
At 1 January 2015	**6,241**	6,211
Expenses for the acquisition of insurance contracts deferred during the year	**186**	30
At 31 December 2015	**6,427**	6,241

Note 7: Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2015 US$000s	2014 US$000s	**2015 US$000s**	2014 US$000s
At 1 January 2015	**60,248**	62,517	**9,643**	12,182
Increase/(decrease) in provision	**1,705**	(2,269)	**287**	(2,539)
At 31 December 2015	**61,953**	60,248	**9,930**	9,643

Note 8: Segmental information

	2015 US$000s	2014 US$000s
Gross premiums written	**8,191**	11,483
– Members located in UK	**28,173**	29,303
– Members located in other EU states	**137,328**	139,160
– Members located outside EU	**173,691**	179,946

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.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 8: Segmental information (continued)

Concentration of risk

The Group considers that the concentration of insurance risk most relevant to the Group's financial statements is according to the type of insurance cover offered and the location of insured risk.

The concentration of insurance risk before reinsurance by location in relation to the type of insurance risk accepted is summarised below.

Gross premiums written	Members located outside EU 2015 US$000s	Members located in other EU states 2015 US$000s	Members located in UK 2015 US$000s	Total 2015 US$000s
Containers and Chassis	**34,694**	**8,703**	**1,261**	**44,659**
Logistics	**39,228**	**7,245**	**2,912**	**49,385**
Other	**702**	**79**	**156**	**936**
Ports & Terminals	**34,664**	**6,140**	**2,260**	**43,065**
Property	**22,211**	**3,492**	**1,008**	**26,711**
Scheme	**2,817**	**1,940**	**10**	**4,766**
Cargo	**3,012**	**574**	**583**	**4,169**
	137,328	**28,173**	**8,191**	**173,691**

Gross premiums written	Members located outside EU 2014 US$000s	Members located in other EU states 2014 US$000s	Members located in UK 2014 US$000s	Total 2014 US$000s
Cargo	3,832	882	494	5,208
Containers and Chassis	30,693	11,083	1,732	43,508
Logistics	36,345	6,703	4,747	47,796
Other	486	122	205	813
Ports & Terminals	37,840	6,870	2,754	47,464
Property	19,520	3,644	1,550	24,714
Scheme	10,443	0	0	10,443
	139,160	29,303	11,483	179,946

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 9: Net operating expenses

	2015 US$000s	2014 US$000s
Acquisition costs		
Brokerage and commission	**18,601**	20,445
Management fee in respect of underwriting	**15,710**	15,118
Change in deferred acquisition costs	**(186)**	(30)
	34,125	35,533
Management fee in respect of management and performance related fee	**13,437**	17,075
General expenses	**3,815**	3,094
Directors' fees	**622**	623
Directors' travelling costs	**790**	580
Auditors' remuneration		
Parent company audit	**169**	143
Subsidiary company audit	**333**	343
Non-audit services		
– Other services pursuant to legislation, including the audit of the regulatory returns	**20**	24
– Tax compliance services	**51**	63
	19,237	21,945
Total operating expenses before commission on reinsurance contracts	**53,362**	57,478
Commission on reinsurance contracts	**(5,723)**	(6,381)
	47,639	51,097

The Directors' fees for the highest paid director during 2015 amounted to US$ 126,000 (2014: US$ 133,000).

The Association had no employees during the year (2014: None).

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 10: Investment return

	2015 US$000s	2014 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**3,404**	3,160
Net gains on the realisation of investments	**4,293**	2,714
	7,697	5,874
Exchange gains	**100**	368
	7,797	6,242
Investment expenses and charges		
Interest payable	**(1,887)**	(1,891)
Other investment management expenses	**(1,356)**	(1,333)
Net unrealised (losses)/gains on investments	**(5,560)**	656
Total investment return	**(1,006)**	3,674

Investment return is analysed between:

	2015 US$000s	2014 US$000s
Allocated investment return transferred to the technical business account	**(594)**	2,231
Net investment return included in the non-technical account	**(412)**	1,443
Total investment return	**(1,006)**	3,674

Note 11: Tax on ordinary activities

	2015 US$000s	2014 US$000s
(i) Analysis of tax charge on ordinary activities		
Foreign tax for the current period	**299**	829
Adjustments in respect of prior periods	**(690)**	666
	(391)	1,495

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 11: Tax on ordinary activities (continued)

	2015 US$000s	2014 US$000s
(ii) Factors affecting Tax Charge for the current period		
The tax assessed for the year is higher (2014: higher) than that resulting from applying the standard rate of corporation tax in Bermuda: 0% (2014: 0%) – the differences are explained below::		
Surplus on ordinary activities before tax	**4,704**	15,617
Tax at 0% thereon	**–**	–
Effects of:		
Tax levied outside Bermuda:		
United Kingdom	**–**	79
United States	**250**	750
Singapore	**4**	–
Australia	**291**	–
Adjustments in respect of prior periods		
United Kingdom	**60**	–
United States	**(701)**	680
Singapore	**–**	9
Australia	**–**	(23)
Current tax charge for period	**(96)**	1,495

The taxation charge comprises a charge for UK taxation based at a rate of 20% 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.

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

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 12: 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 13: Other financial investments

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

	Carrying Value		Purchase Price	
Consolidated	**2015 US$000s**	2014 US$000s	**2015 US$000s**	2014 US$000s
Held at fair value through profit and loss:				
– debt securities	**382,916**	339,747	**383,359**	339,937
– equities	**31,580**	27,151	**30,470**	19,850
– UCITS	**38,811**	101,157	**38,811**	101,156
Financial assets held at fair value through profit and loss	**453,307**	468,055	**452,640**	460,943

	Carrying Value		Purchase Price	
Parent Company	**2015 US$000s**	2014 US$000s	**2015 US$000s**	2014 US$000s
Held at fair value through profit and loss:				
– debt and other fixed interest securities	**313,523**	328,770	**313,796**	328,967
– equities	**31,580**	27,151	**30,470**	19,850
– UCITS	**22,931**	22,568	**22,931**	22,568
Financial assets held at fair value through profit and loss	**368,034**	378,489	**367,197**	371,385

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 13: Other financial investments (continued)

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$ 170.4 million (2014: US$ 163.6 million) with the remainder recoverable after more than one year.

As described in note 2(h), the investments of US$ 453.3 million (2014: US$ 468.1 million) are valued in the financial statements at market value.

Note 14: Derivative financial instruments

(a) Cash flow hedges

The Association uses forward currency contracts to hedge the foreign exchange risks that it is exposed to as a result of future operating expenses being payable in sterling.

(b) Non hedge derivatives

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

	Contract/ notional amount 2015 US$000s	Fair value asset 2015 US$000s	Fair value liability 2015 US$000s	Fair value per accounts 2015 US$000s	Contract/ notional amount 2014 US$000s	Fair value asset 2014 US$000s	Fair value liability 2014 US$000s	Fair value per accounts 2014 US$000s
Non hedge derivatives	**41,675**	**805**	**(187)**	**618**	47,774	179	(934)	(755)
Cash flow hedge	**56,426**	**-**	**(2,408)**	**(2,408)**	40,541	154	(648)	(494)
Total	**98,101**	**805**	**(2,595)**	**(1,790)**	88,315	333	(1,582)	(1,249)

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 15: 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 months 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$ 29.2 million (2014: US$ 29.2 million).

Note 16: Guarantees and commitments

Investments to the value of US$ 38.06 million (2014: US$ 38.05 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 2015 amounted to nil (2014: nil).

Note 17: 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 2015 the outstanding amount payable by the Club amounted to $ 1.4 million. Other than the management fees disclosed, no further payments were made to Thomas Miller (Bermuda) Limited, its related Companies or its Directors.

Notes to the Consolidated Financial Statements
31 December 2015 (continued)

Note 18: Explanation of transition to FRS 102

This is the first year that the Association has presented its financial statements under FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

	Consolidated		Parent Company	
	1 Jan 14 US$000s	31Dec 14 US$000s	**1 Jan 14 US$000s**	31Dec 14 US$000s
Capital and reserves (as previously stated)	161,625	175,747	106,328	120,838
Adjustments to equity on transition to FRS 102				
Recognition of hedges of a firm commitment	2,639	(494)	2,639	(494)
Capital and reserves reported under FRS 102	164,264	175,253	108,967	120,344

Notes to the reconciliation of equity at 1 January 2014
Under the requirements of FRS 102 section 12, the Group recognise certain derivative instruments as hedges of a firm commitment or highly probable forecast transactions. Under previous UK GAAP, these transactions were not recognised on balance sheet. The impact of recognising these transactions are shown in the above reconciliation. This only impacts Other Comprehensive Income.

Another change relates net foreign exchange gains and losses on technical provisions which are now shown as a separate line item in the Income Statement.

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