



# Demonstrating underlying strength in challenging times

Financial highlights 2020

TT CLUB  
IS MANAGED  
BY **THOMAS  
MILLER**

# Contents

Chairman's Review	1
Financial Highlights	6
Five-year Summary	7
Comparative Figures	8
Board of Directors	9

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## Chairman's Review

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



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

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

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

### Financial Performance

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

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

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

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

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# Chairman's Review

(continued)

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

## Impact of Covid-19

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

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

## Brexit

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

## Loss prevention

### Impact of Covid-19

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

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



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# Chairman's Review

(continued)

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

## Brexit

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

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

## Cargo integrity

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

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

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

## Crime

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

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

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

## Conclusion

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

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# Chairman's Review

(continued)

## Directors and Board Committees

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

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

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

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

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## Chairman's Review

(continued)

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

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

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

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



**U. Kranich**  
**Chairman**  
29 March 2021

# Financial Highlights

for the year ended 31 December 2020

**A-**  
(excellent)

**AM Best financial strength rating**

Balance sheet strength at "very strong" as measured by the AM Best capital adequacy model

**85%**

**Financial year combined ratio / %**

(2019 = 89) Total claims and expenses divided by net earned premiums, excluding exchange movements, quota share reinsurance and exceptional items

**108.7**

**Gross paid claims / US\$ million**

(2019 = 117.2)

**220.4**

**Gross earned premiums / US\$ million**

(2019 = 206.2)

**3.2%**

**Underlying investment return / %**

(2019 = 5.5)

**21.5**

**Net result / US\$ million**

(2019 = 16.0)

**247.1**

**Total surplus and reserves / US\$ million**

(2019 = 225.5)

**97%**

**Member retention / %**

(2019 = 96) Based on gross written premium



## Five-year Summary

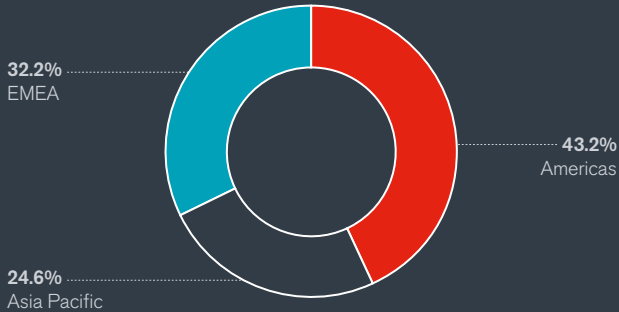
	2016 US\$000s	2017 US\$000s	2018 US\$000s	2019 US\$000s	2020 US\$000s
Gross earned premiums	177,831	181,790	194,983	206,178	<b>220,431</b>
Brokerage and commission	(19,767)	(20,816)	(22,842)	(24,285)	<b>(26,680)</b>
Gross earned premiums, net of brokerage and commission	158,064	160,974	172,141	181,893	<b>193,751</b>
Reinsurance premiums ceded	(34,384)	(32,925)	(56,876)	(59,519)	<b>(55,303)</b>
Net claims incurred	(90,310)	(95,365)	(71,354)	(82,893)	<b>(87,125)</b>
Net operating expenses	(31,361)	(33,104)	(30,691)	(46,509)	<b>(41,495)</b>
Investment return	5,628	8,237	4,911	22,870	<b>12,770</b>
Reversal of negative goodwill	0	0	0	3,625	<b>0</b>
Exchange gains / (losses)	(257)	1,552	(985)	(2,561)	<b>(87)</b>
Interest payable	(1,815)	(2,442)	(589)	(502)	<b>(442)</b>
Taxation	(348)	367	(97)	(383)	<b>(552)</b>
<b>Surplus for the year</b>	<b>5,217</b>	<b>7,294</b>	<b>16,460</b>	<b>16,021</b>	<b>21,517</b>

### Summary balance sheets

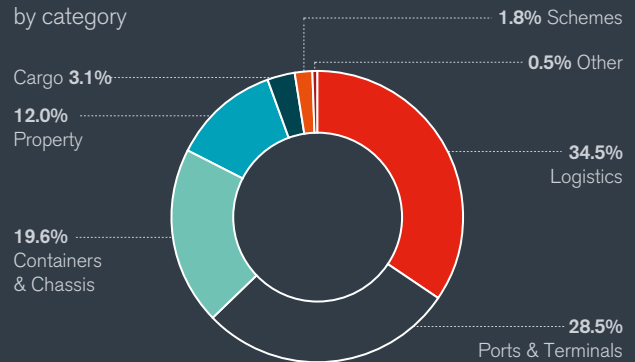
Total cash and investments	491,035	469,206	483,773	487,815	<b>523,495</b>
Other assets	122,015	128,413	135,574	145,961	<b>161,808</b>
<b>Total assets</b>	<b>613,050</b>	<b>597,619</b>	<b>619,347</b>	<b>633,776</b>	<b>685,303</b>
Gross unearned premiums and claims reserves	(361,320)	(374,471)	(377,122)	(382,249)	<b>(405,587)</b>
Other liabilities	(36,708)	(30,088)	(32,705)	(25,986)	<b>(32,658)</b>
Subordinated loan	(29,256)	0	0	0	<b>0</b>
<b>Total surplus and reserves</b>	<b>185,766</b>	<b>193,060</b>	<b>209,520</b>	<b>225,541</b>	<b>247,058</b>

# Comparative Figures

**Gross written premiums**  
by region



**Gross written premiums**  
by category



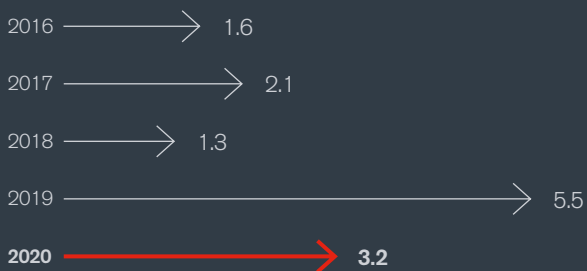
**220.4** Gross earned premiums  
US \$ millions



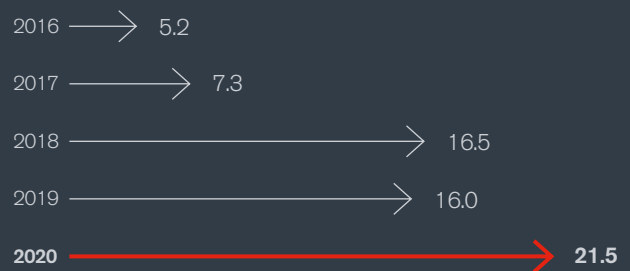
**85%** Combined ratio / %  
(excluding exceptional items)



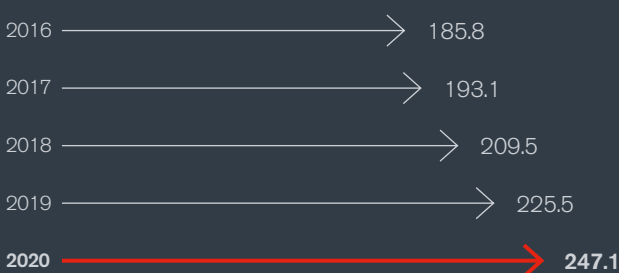
**3.2%** Investment return / %  
(before investment management fees)



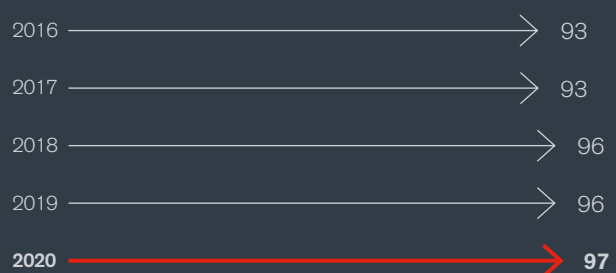
**21.5** Net result  
US \$ millions



**247.1** Surplus and reserves  
US \$ millions



**97%** Member retention / %  
(based on gross written premium)



# Board of Directors

As of 30 April 2021

## CHAIRMAN



**U Kranich\*\***  
Hamburg

## DEPUTY CHAIRMAN



**J Küttel\*\***  
Ermewa,  
Paris



**A Abbott\***  
Atlantic  
Container Line,  
New York



**U Baum\*\***  
Röhlig Logistics  
GmbH & Co KG,  
Bremen



**G Benelli\***  
Specialist  
Director  
(Investment)



**Chang Yen-I\***  
Evergreen  
Group,  
Taipei



**Chen Xiang\***  
COSCO Shipping  
Lines Co Ltd,  
Shanghai



**J Chowdhury\*\***  
Through  
Transport Mutual  
Services (UK) Ltd,  
London



**M Engelstoff\***  
A P Møller-Maersk,  
Copenhagen



**T Faries\***  
Appleby,  
Bermuda



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



**A Fullbrook\***  
OEC Group,  
New York



**T Leggett\*\***  
Specialist  
Director  
(Finance)



**R Murchison\***  
Murchison Group,  
Argentina



**Y Narayan\***  
DP World, Dubai



**J Neal\***  
Carrix,  
Seattle



**J Nixon\***  
Ocean Network  
Express,  
Singapore



**M Onslow#**  
Specialist  
Director  
(Insurance)



**M d'Orey\***  
Orey Shipping SL,  
Lisbon



**D Robinson  
MBE\*\***  
PD Ports,  
Middlesbrough



**N Smedegaard\*\***  
DFDS,  
Copenhagen



**CK Tan\***  
Pacific  
International  
Lines (Pte) Ltd,  
Singapore



**S Tranantasin\***  
RCL Group,  
Bangkok



**S Vernon\***  
Triton  
International Ltd,  
Bermuda

\* Directors of Through Transport Mutual Insurance Association Ltd (TTB)

# Directors of TT Club Mutual Insurance Ltd (TTI)

