Demonstrating underlying strength in challenging times

Annual Report & Financial Statements for
TT Club Mutual Insurance Limited
For the year ended 31 December 2020

TT CLUB
IS MANAGED
BY **THOMAS**
MILLER

Contents

TT CLUB MUTUAL INSURANCE LIMITED

Directors & Management

CHAIRMAN	
U Kranich [3,4,5]	Hamburg
DEPUTY CHAIRMAN	
J Küttel [4,5]	Ermewa, Paris
DIRECTORS	
U Baum [1,2,4]	Röhlig Logistics GmbH & Co KG, Bremen
J Chowdhury [4]	Through Transport Mutual Services (UK) Ltd, London
C Fenton [4]	Through Transport Mutual Services (UK) Ltd, London
T Leggett [1,2,4] (appointed 25 June 2020)	Specialist Director – Finance
M Onslow [2,4]	Specialist Director – Insurance
D Robinson MBE [1,2,4]	PD Ports, Middlesbrough
N Smedegaard [4]	DFDS, Copenhagen
Registered Office	90 Fenchurch Street London EC3M 4ST
Company Registration Number	2657093
Managers and Company Secretary	Through Transport Mutual Services (UK) Ltd, London Telephone +44 (0) 20 7204 2626 Telefax +44 (0) 20 7204 2727
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

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

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

[3] **Investment Committee member**

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

[5] **Nominations Committee member**

Strategic Report

TTI's business strategy is to provide superior insurance products and claims handling to its policyholder Members at a competitive price, whilst maintaining excellent financial security over the long term.

This report is addressed to, and written for, the Members of TT Club Mutual Insurance Limited ("TTI"). The Directors wish to draw attention to a number of financial and environmental uncertainties, including but not limited to the premium rating environment, the rate of claims inflation, cost inflation, foreign exchange movements and economic growth. This means that the actual results in the future may vary considerably from both historic and projected outcomes contained within any 'forward-looking statements'.

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

Strategy and values

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

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

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

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

Financial performance, capital strength and solvency

TTI's underwriting performance in 2020 was satisfactory. The technical result, after allowing for the attribution of investment return on the claims reserves, was a surplus of US$ 1.5 million (2019 surplus of US$ 2.6 million). The overall surplus after tax was US$ 2.6 million (2019: surplus after tax of US$ 4.0 million).

The principal Key Performance Indicators ("KPIs") by which performance is monitored by the Board are set out in the charts below. The position is shown as at the end of 2020 and 2019.

	2020	**2019**
AM Best rating	A- (Excellent)	A- (Excellent)
Surplus and reserves	US$ 69.5m	US$ 66.9m
Technical result (after attribution of investment return)	US$ 1.5m	US$ 2.6m
Investment return (incl. exchange gains/losses, after attribution of investment return to technical account)	US$ 1.4m	US$ 1.5m
Surplus for the year	US$ 2.6m	US$ 4.0m

Strategic Report
(continued)

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

Principal Risks and Uncertainties

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

Brexit

With effect from 1 January 2021, i.e. following the end of the Brexit transition period, all TTI's EEA renewing and new business is now fronted by UK P&I Club's subsidiary in the Netherlands, UK P&I Club N.V ("UKNV") with this business being 100% reinsured back to TTI. For most purposes, Members and their brokers will continue to deal with their pre-Brexit contact at the Club, with a relatively small amount of change being required to meet the needs of UKNV. 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 EEA markets.

The Club has commenced a Part VII process to transfer its back book of EEA business to UKNV. This is targeted to complete on 30 September 2021. Arrangements have been put in place to enable the Club to continue to service this back book until the Part VII transfer is completed.

Corporate, social and environmental

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

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

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

Charitable donations

During the year there were no charitable donations (2019: $nil).

Strategic Report

(continued)

Directors' duty to promote the success of the company

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

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

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

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

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

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

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

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

During 2020 the Board also received reports at its meetings on the Club's loss prevention activities which benefit the Members, providing input and direction on key initiatives. These include the Club's efforts to drive improvements in cargo declaration and packing, the development of its Cargo Integrity Campaign and anti-crime initiatives.

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

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

By approval of the Board.

Through Transport Mutual Services (UK) Ltd
Company Secretary
29 March 2021

Directors' Report

The Directors present herewith their Annual Report and the audited financial statements of TT Club Mutual Insurance Limited ("TTI") for the year ended 31 December 2020.

Directors and Officers

The names of the Directors of TTI who served during the year are shown on page 2. All the Directors retiring at the Annual General Meeting and seeking re-election were re-elected.

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the Directors' at any time during the financial year, or at the time when the annual report was approved.

Meetings of the Directors

The Board of TTI met formally on five occasions during 2020, with its main focus being to direct the operations of underwriting, the external reinsurance programme, loss prevention, claims management including reserving, information technology, Brexit planning and general administration. The Board also monitored performance against budget.

The Board is assisted by TTI's Audit & Risk Committee and by the Investment, Management and Nominations Committees of both TTI and its parent company, Through Transport Mutual Insurance Association Limited ("the Group"). The Board is appraised as to the main issues discussed and all minutes of meetings of the committees are distributed to the Board.

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

Risks and risk management

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

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

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

All types of risk facing the business are analysed and each one is rated according to its severity (impact on the business) and probability of occurrence, adjusted for any mitigation measures that have been implemented. The residual risks are prioritised with the most highly rated items being considered as fundamental risks. Each fundamental risk is monitored and managed by a member of the executive management. All risks identified are summarised, categorised and prioritised in a Risk Log which is reviewed and approved by the Board, at least annually and more frequently if required.

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 TTI as a result of:

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

Insurance risk is mitigated by means of:

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

Financial risks

Financial risks consist of:

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

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

Operational risk

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

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

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

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

Directors' Report

(continued)

Covid-19

As noted in the Strategic Report the Club performed well in 2020. Although Covid-19 has impacted trade volumes, in overall terms the Club's Member volume growth was slightly positive at 1% for the year. Claims performance was also good, in part due to volume growth being depressed, with few pandemic related claims all of which had relatively low values. In terms of investments performance, despite a degree of volatility particularly in the early part of the year, the Club's investment return, net of interest payable and exchange losses, was US$ 1.9 million (2019: US$ 2.4 million).

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

Streamlined Energy and Carbon reporting (SECR)

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

Future Developments

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

Foreign Branches

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

Distribution to members

There was no distribution made to members in the year.

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 TTI's financial statements for the year ended 31 December 2020 of which the auditors are unaware; and

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

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

By approval of the Board.

Through Transport Mutual Services (UK) Ltd
Company Secretary
29 March 2021

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

By approval of the Board.

Through Transport Mutual Services (UK) Ltd
Company Secretary
29 March 2021

Notice of Meeting

Notice is hereby given that the fifty second Annual General Meeting of the Members of the Club will be held by video conference on the twenty- fourth day of June 2021 at 1.55 pm CET for the following purposes:

- To receive the Directors' Report and Financial Statements for the year ended 31 December 2020 and, if they are approved, to adopt them
- To elect Directors
- To appoint auditors and to authorise the Directors to fix their remuneration
- To agree a recommendation on Directors' remuneration
- To transact any other business of an Ordinary General Meeting.

By approval of the Board.

Through Transport Mutual Services (UK) Ltd
Company Secretary
29 March 2021

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, TT Club Mutual Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- ●have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit is driven by statutory requirements in the UK. Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to issue an opinion on the statutory financial statements. As part of our audit, we focused on balances and disclosures which represented a risk of material misstatement to the users of the financial statements.

Key audit matters

- Reserving methodology and subjectivity in key reserving assumptions
- ●COVID-19 outbreak considerations

Materiality

- Overall materiality: US$3,475,650.00 (2019: US$3,344,700.00) based on 5% of Surplus and Reserves.
- Performance materiality: US$2,606,738.00.

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate revenues, claims and/or expenditures of the company, and management bias in accounting estimates and judgemental areas of the financial statements such as the reserving methodology and subjectivity in key reserving assumptions. Audit procedures performed by the engagement team included:

- •Discussions with the Audit and Risk Committee, management, internal audit, and senior management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the company's whistleblowing register and the results of management's investigation of such matters;
- Inspecting key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing Board meeting and Audit and Risk Committee meeting minutes;
- •Reviewing the company's internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Testing the valuation of the outstanding claims reserve as described in the related key audit matter below;
- Identifying and testing journal entries with unusual characteristics, such as journals with unusual account combinations, journals posted on behalf of senior management, and journals that appear to be inappropriately duplicated or reversed; and.
- Tests which incorporated elements of unpredictability.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Reserving methodology and subjectivity in key reserving assumptions See notes 2 and 3 of the financial statements for disclosures of related accounting policies, judgments and estimates. The outstanding claims reserve is a material balance within the financial statements. Its determination has a significant impact on the financial result and there is a high degree of complexity and judgement involved in determining the estimate. In particular we focused on: • Degree of consistency in the reserving philosophy across reserving classes, including factors such as speed of case reserving and reserving for major issues; • Key judgements and assumptions made by management in the reserving process; • The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year; • The process and governance surrounding the final selection of incurred but not reported reserves made by management; and • Appropriateness of the margin added to the actuarial best estimate of claims reserves, to provide for the risk of adverse development in the claims recognised. The appropriate margin to recognise is a judgement taken by management, based on the perceived uncertainty and potential for volatility in the underlying claims.	We understood, assessed and tested the design effectiveness of key controls over the estimation of claims outstanding reserve, which included controls over the extraction of data from the underlying systems and the review and approval of the claims outstanding reserve. We have assessed the degree of consistency in the reserving philosophy adopted by management to support the methodology and assumptions used. We tested, on a sample basis, the completeness and accuracy of the underlying data used in the actuarial calculations to supporting documentation. In order to challenge management's methodology and assumptions, we were assisted by our actuarial specialist team members who assessed the reserve estimates based on our evaluation of the methodology, assumptions and judgements made for the most significant classes. The actuaries also performed key indicator testing over the remaining classes to identify and follow up any anomalies. Applying our industry knowledge and experience, our assessment considered whether the methodology and assumptions were in line with recognised actuarial techniques and best practices. We assessed the consistency of management's approach to the margin and its appropriateness in accordance with the business experience. We examined prior year development to assess previous estimates and to infer the appropriateness of current year estimates. Based on the work performed we concluded that the methodologies and assumptions taken in setting the claims reserves were reasonable.

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

COVID-19 outbreak considerations

The outbreak of the novel coronavirus (known as COVID-19) in many countries continues to evolve and the socioeconomic impact is unprecedented. The global pandemic is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption and the pandemic has led to a recession in the United Kingdom. In addition, COVID-19 has resulted in many staff working from home, with management placing greater focus on the company's information technology systems. Having assessed the heightened financial volatility and economic stress, management has prepared the financial statements on the basis the company is a going concern and believe this assumption remains appropriate. In considering the COVID-19 implications and whether the company can meet its obligations as they fall due, management has considered:

- The implications on current and future underwriting;
- The exposure to COVID-19 related claims;
- The impact on current and future investment outlooks;
- The company's liquidity and capital solvency position; and
- The operational resilience of the company.

Our work over management's assessment of the impact of COVID-19 on the company's going concern assumption included understanding and evaluating management's assessment. We evaluated management's analysis and challenged management's key assumptions and considered its consistency with other available information and our understanding of the business. Key assumptions evaluated as part of our testing included:

- ●Assumptions around organic growth, including considerations around current and future premiums and claims activity arising due to COVID-19 including the relevant impact of the company's reinsurance arrangements;
- Impact on current and future investment returns;
- The company's current and future liquidity and capital solvency position; and
- Impact on the company's business operations.

We corroborated management's assessment with board minutes and other underlying audit evidence for each of the key assumptions described above.

Based on audit evidence obtained, we conclude that it is appropriate for management to prepare the financial statements on a going concern basis.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates. As part of designing our audit, we determined materiality and assessed the risks of material misstatement on a line by line basis in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	US$3,475,650.00 (2019: US$3,344,700.00).
How we determined it	5% of Surplus and Reserves
Rationale for benchmark applied	The primary users of the financial statements are members and policyholders. The benchmark most applicable to the requirements of these users is the Surplus and Reserves balance. As a marine mutual, management's main objective is to maintain adequate capital reserves, as opposed to the generation of profits to pay dividends and therefore, Surplus and Reserves is the most appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$2,606,738.00 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $347,565 (2019: $334,470) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- ●Testing management's key assumptions within management's future forecasts, such as premium volumes and rates, net loss ratios, and investment returns;
- Assessing the company's current liquidity and capital solvency position, in addition to management's forecasts over liquidity and solvency;
- Evaluating the impact of COVID-19 and downside scenario considerations on the key assumptions in the going concern assessment; and
- Confirming the existence of cash and financial investment balances to assess the availability of liquid assets.

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

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

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

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

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 21 June 2005 to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement is 16 years, covering the years ended 31 December 2005 to 31 December 2020.

Deepti Vohra (Senior Statutory Auditor)
for and on behalf of

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2021

Statement of Income and Retained Earnings

for the year ended 31 December 2020

Technical account	Note	**US$000s**	**2020 US$000s**	US$000s	2019 US$000s
Gross premiums written	5		**209,565**		201,972
Outward reinsurance premiums			**(171,962)**		(166,585)
Premiums written, net of reinsurance			**37,603**		35,387
Change in provision for unearned premiums					
Gross	6	**(2,406)**		(7,780)	
Reinsurers' share	6	**2,053**		5,977	
			(353)		(1,803)
Earned premiums, net of reinsurance			**37,250**		33,584
Allocated investment return transferred from the non-technical account			**495**		951
Commission income			**25,489**		30,299
Other technical income, net of reinsurance			**5**		30
Claims (paid)/recovered					
Gross	7	**(105,590)**		(110,219)	
Reinsurers' share	7	**97,413**		101,658	
		(8,177)		(8,561)	
Change in the provision for claims					
Gross		**(9,774)**		1,087	
Reinsurers' share		**12,372**		(545)	
		2,598		542	
Claims incurred, net of reinsurance			**(5,579)**		(8,019)
Realised gain on business transfer			**–**		2,926
Net operating expenses	8		**(56,122)**		(57,196)
Balance on the technical account			**1,538**		2,575

All activities derive from continuing operations.

Statement of Income and Retained Earnings

for the year ended 31 December 2020 (continued)

Non-technical account	Note	**2020 US$000s**	2019 US$000s
Balance on the technical account		**1,538**	2,575
Net Investment income		**2,076**	2,248
Net unrealised gains on investments		**301**	1,086
Interest payable		**(442)**	(502)
Exchange losses		**(5)**	(396)
Total investment return	9	**1,930**	2,436
Allocated investment return transferred to the technical account	9	**(495)**	(951)
Surplus on ordinary activities before tax		**2,973**	4,060
Tax on ordinary activities	10	**(354)**	(15)
Surplus on ordinary activities after tax	13	**2,619**	4,045
Surplus for the year		**2,619**	4,045
Surplus and reserves at 1 January		**66,894**	62,849
Surplus for the year		**2,619**	4,045
Surplus and reserves at 31 December		**69,513**	66,894

All activities derive from continuing operations.

The notes on pages 22 to 45 form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2020

Assets	Note	**2020 US$000s**	2019 US$000s
Investments			
Investment in subsidiary	16	**121**	–
Other financial investments	11	**113,921**	107,297
Lands and Buildings		**54**	215
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	**65,059**	63,005
Claims outstanding	7	**282,769**	265,988
		347,828	328,993
Debtors			
Arising out of direct insurance operations			
- policyholders		**46,723**	46,178
Arising out of reinsurance operations		**6,615**	4,253
Corporation tax debtor		**148**	207
Other debtors		**650**	503
Retirement benefit and similar benefits		**23**	45
		54,159	51,186
Cash at bank		**54,108**	39,282
Prepayments and accrued income			
Accrued interest		**424**	494
Deferred acquisition costs	12	**7,548**	7,270
Prepayments		**994**	234
		8,966	7,998
Total assets		**579,157**	534,971

Statement of Financial Position

as at 31 December 2020 (continued)

Liabilities and reserves	Note	2020 US$000s	2019 US$000s
Surplus and reserves	13	**69,513**	66,894
Technical provisions			
Provision for unearned premiums – gross	6	**77,568**	75,162
Claims outstanding – gross	7	**306,751**	288,990
		384,319	364,152
Creditors			
Arising from reinsurance operations		**59,795**	59,129
Other creditors including taxation and social security		**2,359**	1,154
Amounts due to group undertakings		**58,276**	41,322
		120,430	101,605
Accrued expenses and sundry creditors		**4,895**	2,320
		125,325	103,925
Total liabilities and reserves		**579,157**	534,971

The notes on pages 22 to 45 form an integral part of these financial statements.

These financial statements on pages 18 to 45 were approved by the Board of Directors and authorised for issue on 29 March 2021 . They were signed on its behalf by:

DIRECTORS

U Kranich

J Küttel

Company Registered Number: 2657093

Notes to the Financial Statements

Note 1:

Constitution

TT Club Mutual Insurance Limited ("TTI") was incorporated as a mutual company limited by guarantee in the United Kingdom under the Companies Act 1985 on 24 October 1991 – Registered office - 90 Fenchurch Street, London, EC3M 4ST. The liability of Assureds is limited to the supplementary premiums set by the Directors. Under TTI's Memorandum of Association, individual Members' liabilities are limited, in the event of TTI being wound up, to a maximum of £5 and, under TTI's Articles, in the event of its liquidation, any net assets of TTI are to be distributed equitably amongst the Members.

Note 2:

Accounting policies

(a) Basis of preparation and statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, under the historical cost convention, modified to include certain items at fair value, and in accordance with 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 and where appropriate the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (The Regulations) relating to insurance companies.

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The Financial Statements have been prepared on the going concern basis. The Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these Financial Statements and are not aware of any material uncertainties to TTI's ability to continue to do so for at least 12 months from the date of authorisation of these Financial Statements.

Under FRS 102 section 7: Cash Flows, no cash flow has been presented in these Financial Statements as TTI is deemed to be a wholly owned subsidiary of Through Transport Mutual Insurance Association Limited and the cash flows of TTI are included within the consolidated financial statements of that entity.

TTI has taken advantage of the exemption not to prepare consolidated financial statements as its parent company prepares consolidated financial statements.

No other exemptions have been taken.

The functional currency of TTI is considered to be United States Dollar ("US$") because that is the currency of the primary economic environment in which TTI operates. The financial statement is also presented in US$. Foreign operations are included in accordance with the policies set out below.

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

UNDERWRITING ACTIVITIES

(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.

Notes to the Financial Statements (continued)

(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 in the statement of financial position.

(d) Claims

A provision is made for all claims incurred during the year, whether paid, estimated or unreported, claims management costs and adjustments to claims provisions brought forward from previous years. In addition, claims 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 Statement of Income.

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 judgment of the likely final cost of each individual claim based on current information. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to TTI, where more information is generally available.

TTI 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. Judgment is used to assess the extent to which past trends may not apply in future and alternative approaches are applied as appropriate.

(e) Reinsurance

Contracts entered into by TTI with reinsurers, under which TTI is compensated for losses on one or more contracts issued by TTI and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Insurance contracts entered into by TTI under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk.

Reinsurance premiums are debited to the statement of income in the financial year as and when charged to TTI, together with a provision for any future costs of existing reinsurance policies.

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

The figure credited to the Statement of Income 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.

Reinsurance purchased during the financial year is recognise as being earned as time elapses during the underlying policy period.

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 or 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 statement of income as 'Outward reinsurance premiums' when due.

Notes to the Financial Statements (continued)

(f) 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.

(g) Management Fee

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

(h) Unexpired risk reserve

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

(i) Commission income

Commission income is earned on TTI's quota share reinsurance with its parent company, TTI's general reinsurance programme and on insurance arranged by TTI on behalf of Members and others. This commission income is recognised in the Statement of income on an earned basis and shown as a separate line item in the Statement of income. Commission income is also earned on TTI's external quota share reinsurance premiums and is recognised in the Statement of income on an earned basis. This is shown as a reduction to net of operating expenses.

(j) Investments in subsidiary undertakings

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

(k) Financial assets

TTI 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 or loss account

Assets, including all of the investments of TTI, which are classified as fair value through the profit or loss account, 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. The market value of listed investments is based on current bid prices as at the statement of financial position date. Where there is no active market, fair value is measured by reference to other factors such as independent valuation.

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.

Notes to the Financial Statements (continued)

(k) Financial assets (continued)

The cost of investments denominated in currencies other than the US dollar, are converted into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the Statement of income 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 Statement of income within 'Unrealised gains/(losses) on investments' in the period in which they arise.

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

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

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

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

(l) Investment return

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

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

TTI 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.

(m) Foreign currencies

Revenue transactions and expenses are translated into USD at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing USD exchange rate. The resulting differences, apart from those relating to estimated future claims or investments, are shown separately in the Statement of Income. 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-USD cash holdings are treated as realised and are included in the Statement of Income.

(n) Policy year accounting

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

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

(o) 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, TTI 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.

(p) Taxation

Deferred Tax

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

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

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. As a mutual TTI is exempt from UK corporation tax on its underwriting activities. Current tax is charged on its investment return.

(q) Related Parties

TTI has no share capital and is controlled by its members who are also the insured. The insurance transactions are deemed to be related party transactions but these are the only transactions between TTI and its members.

TTI also discloses transactions with other related parties, details of which can be found in note 15.

Note 3:

Critical accounting estimates and judgments and estimation uncertainty

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is TTI's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that TTI 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, TTI 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 (d).

Pipeline premiums

TTI makes an estimate of premiums written during the year that have not been notified in the financial year based on historic patterns as detailed in note 2 (b). The amount recognised in 2020 was US$ 1.7 million (2019: US$ 2.39 million). Given the size of this amount the estimated uncertainty is limited.

Note 4:

Management of Financial Risks

Financial risk management objectives

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

TTI manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit & Risk Committee. Further details can be found in the Directors' report on pages 6 to 8.

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

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

(a) Market – interest rate risk

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

TTI'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 statement of financial position date, with all other factors unchanged, would result in a US$ 0.8 million decrease in market value of the TTI's investments (2019: US$ 1.4 million decrease). A decrease in 100 basis points in interest rates would result in a US$ 0.8 million increase in the market value of the TTI's investments (2019: US$ 1.4 million increase).

Note 4:

Management of Financial Risks (continued)

(b) Currency risk

TTI is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than USD. The most significant currencies to which TTI is exposed to are pounds sterling ("GBP") and the Euro ("EUR").

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

2020	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Investments in subsidiaries	–	–	121	–	121
Debt securities	101,118	–	–	–	101,118
UCITS	12,070	733	–	–	12,803
Assets arising from reinsurance contracts held	349,665	–	1,250	3,528	354,443
Debtors arising from insurance contracts	36,460	3,170	5,495	1,598	46,723
Other debtors	(58)	–	128	751	821
Cash at bank	21,212	1,640	1,717	29,539	54,108
Other	8,307	208	23	482	9,020
Liabilities	(354,269)	(13,349)	(80,703)	(61,323)	(509,644)
Net assets	**174,505**	**(7,598)**	**(71,969)**	**(25,425)**	**69,513**

2019	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	101,321	–	–	–	101,321
UCITS	3,998	1,978	–	–	5,976
Assets arising from reinsurance contracts held	329,086	–	831	3,329	333,246
Debtors arising from insurance contracts	35,658	2,899	5,388	2,233	46,178
Other debtors	50	–	67	638	755
Cash at bank	12,824	2,486	1,046	22,926	39,282
Other	7,382	369	3	459	8,213
Liabilities	(330,950)	(17,520)	(66,513)	(53,094)	(468,077)
Net assets	**159,369**	**(9,788)**	**(59,178)**	**(23,509)**	**66,894**

At 31 December 2020, if the USD weakened/strengthened by 5% against GBP, with all other factors unchanged, the surplus for the year would have decreased/increased by US$ 0.47 million (2019: US$ 0.49 million).

If the USD weakened/strengthened by 5% against the Euro, with all other factors unchanged, the surplus for the year would have decreased/increased by US$ 3.43 million (2019: US$ 2.81 million).

Notes to the Financial Statements (continued)

Note 4:

Management of Financial Risks (continued)

(c) Credit risk

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

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

Reinsurance is used to manage insurance risk. This does not, however, discharge TTI's liability as primary insurer. If a reinsurer fails to pay a claim, TTI remains liable for the payment to the policyholder. Credit risk on reinsurance balances is mitigated by assessing the creditworthiness of a reinsurer before it is used and strict criteria are applied (including the financial strength of the reinsurer) before a reinsurer is approved. Counterparty limits based on credit ratings are also in place in relation to amounts due from bond issuers and cash and bank deposits.

Notes to the Financial Statements (continued)

Note 4:

Management of Financial Risks (continued)

(c) Credit risk (continued)

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

2020	AAA US$000s	AA US$000s	A US$000s	BBB+ or less or unrated US$000s	Total US$000s
Investment in subsidiary	–	–	–	121	121
Debt securities	–	101,118	—	–	101,118
UCITS	–	–	12,803	–	12,803
Assets arising from reinsurance contracts held	–	81,300	262,127	11,016	354,443
Debtors arising from direct insurance	–	–	–	46,723	46,723
Other debtors	–	–	–	821	821
Cash at bank	180	–	53,820	108	54,108
Other	–	–	–	9,020	9,020
Total assets bearing credit risk	**180**	**182,418**	**328,750**	**67,809**	**579,157**

TTI'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. TTI 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 (2019: no impairments).

2019	AAA US$000s	AA US$000s	A US$000s	BBB+ or less or unrated US$000s	Total US$000s
Debt securities	–	101,321	–	–	101,321
UCITS	–	–	5,976	–	5,976
Assets arising from reinsurance contracts held	–	75,171	251,872	6,203	333,246
Debtors arising from direct insurance	–	–	–	46,178	46,178
Other debtors	–	–	–	755	755
Cash at bank	178	13,168	25,831	105	39,282
Other	–	–	–	8,213	8,213
Total assets bearing credit risk	**178**	**189,660**	**283,679**	**61,454**	**534,971**

Note 4:

Management of Financial Risks (continued)

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. TTI maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 December 2020 TTI's short term deposits (including cash and UCITS) amounted to US$ 66.9 million (2019: US$ 45.3 million).

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

2020	Neither past due nor impaired US$000s	Past due but not impaired 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	Statement of Financial Position US$000s
Investment in subsidiary	121	–	–	–	–	–	121
Debt securities	101,118	–	–	–	–	–	101,118
UCITS	12,803	–	–	–	–	–	12,803
Assets arising from reinsurance contracts held	354,443	–	–	–	–	–	354,443
Debtors arising from direct insurance	32,338	10,523	3,862	–	–	–	46,723
Other debtors	821	–	–	–	–	–	821
Cash at bank	54,108	–	–	–	–	–	54,108
Other	9,020	–	–	–	–	–	9,020
Total	**564,772**	**10,523**	**3,862**	**–**	**–**	**–**	**579,157**

2019	Neither past due nor impaired US$000s	Past due but not impaired 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	Statement of Financial Position US$000s
Debt securities	101,321	–	–	–	–	–	101,321
UCITS	5,976	–	–	–	–	–	5,976
Assets arising from reinsurance contracts held	333,246	–	–	–	–	–	333,246
Debtors arising from direct insurance	31,110	9,873	5,195	–	–	–	46,178
Other debtors	755	–	–	–	–	–	755
Cash at bank	39,282	–	–	–	–	–	39,282
Other	8,213	–	–	–	–	–	8,213
Total	**519,903**	**9,873**	**5,195**	**–**	**–**	**–**	**534,971**

Notes to the Financial Statements (continued)

Note 4:

Management of Financial Risks (continued)

(d) Liquidity and cash flow risk (continued)

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

2020	< 6 months or on demand US$000s	Between 6 months and 1 year US$000s	Between 1 year and 2 years US$000s	Between 2 years and 5 years US$000s	> 5 years US$000s	Total US$000s
Investment in subsidiary	121	–	–	–	–	121
Debt securities	13,546	–	73,213	10,333	4,026	101,118
UCITS	12,803	–	–	–	–	12,803
Assets arising from reinsurance contracts held	120,926	49,252	61,465	90,521	32,279	354,443
Debtors arising from direct insurance	46,723	–	–	–	–	46,723
Other debtors	821	–	–	–	–	821
Other	9,020	–	–	–	–	9,020
Cash at bank	54,108	–	–	–	–	54,108
Sub-total	**258,068**	**49,252**	**134,678**	**100,854**	**36,305**	**579,157**
Creditors	(125,325)	–	–	–	–	(125,325)
Technical provisions - gross	(130,997)	(53,429)	(66,678)	(98,198)	(35,016)	(384,319)
Total	**1,745**	**(4,177)**	**68,000**	**(2,656)**	**1,289**	**69,513**

2019	< 6 months or on demand US$000s	Between 6 months and 1 year US$000s	Between 1 year and 2 years US$000s	Between 2 years and 5 years US$000s	> 5 years US$000s	Total US$000s
Debt securities	13,498	–	20,973	64,822	2,028	101,321
UCITS	5,976	–	–	–	–	5,976
Debtors arising from direct insurance	115,849	48,605	57,269	79,229	32,294	333,246
Assets arising from reinsurance contracts held	46,178	–	–	–	–	46,178
Other debtors	755	–	–	–	–	755
Cash at bank	8,213	–	–	–	–	8,213
Other	39,282	–	–	–	–	39,282
Sub-total	**229,751**	**48,605**	**78,242**	**144,051**	**34,322**	**534,971**
Creditors	(103,924)	–	–	–	–	(103,924)
Technical provisions - gross	(127,967)	(52,805)	(62,217)	(86,075)	(35,089)	(364,153)
Total	**(2,140)**	**(4,200)**	**16,025**	**57,976**	**(767)**	**66,894**

Note 4:

Management of Financial Risks (continued)

(e) Insurance risk

TTI'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 TTI 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

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

	2020 US$000s	2019 US$000s
1% increase in net claims reserves reduces surplus before tax by:	**240**	234

A 1% decrease in net claims 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 TTI's guidelines for acceptable risk.

(ii) Reinsurance

The establishment of TTI's reinsurance programme is driven by the Board's objective to manage risk to an acceptable level and to optimise TTI'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 TTI's solvency.

(iii) Management of claims cost

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

(iv) Reserving process

TTI 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.

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

Note 4:

Management of Financial Risks (continued)

(f) Capital management

TTI maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with TTI's risk profile and the regulatory requirements of the business. As at 31 December 2020, the total regulatory capital available amounted to US$69.5 million (2019: US$66.8 million), which exceeded the UK Prudential Regulation Authority requirements.

As at 31 December 2020, TTI held deposits and letters of credit totalling US$ 64.7 million to meet overseas regulatory requirements (2019: US$ 64.5 million). This included a collateralised letter of credit in relation to TTI's Hong Kong branch amounting to US$24.5 million (2019: US$24.4 million) and a trust fund deposit in relation to the US business of US$ 40.2 million (2019: US$ 39.8 million).

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

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

Notes to the Financial Statements (continued)

Note 4:

Management of Financial Risks (continued)

(g) Fair value estimations

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

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

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

Level 3 – Valuation techniques using observable & unobservable market data

All of the assets and liabilities that are measured at fair value at both 31 December 2020 and 31 December 2019 fall into the Level 1 category, with the exception of the debt securities, which fall into level 2.

	2020 Level 1 US$000s	**2020 Level 2 US$000s**	**2020 Total US$000s**	2019 Level 1 US$000s	2019 Level 2 US$000s	2019 Total US$000s
Debt securities	**–**	**101,118**	**101,118**	–	101,321	101,321
UCITS	**12,803**	**–**	**12,803**	5,976	–	5,976
Financial assets held at fair value through profit or loss	**12,803**	**101,118**	**113,921**	5,976	101,321	107,297

Note 5:

Segmental information

Gross premiums written	**2020 US$000s**	2019 US$000s
– Members located in UK	**10,717**	9,418
– Members located in other EU states	**34,197**	32,027
– Members located outside EU	**164,651**	160,527
	209,565	201,972

TTI writes only marine, aviation and transport business.

Concentration of risk

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

Notes to the Financial Statements (continued)

Note 5:

Segmental information (continued)

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

Gross premiums written – 2020	**Policyholders located outside EU US$000s**	**Policyholders located in other EU states US$000s**	**Policyholders located in UK US$000s**	**Total US$000s**
Cargo	**6,950**	**2,400**	**484**	**9,834**
Containers and Chassis	**33,011**	**7,375**	**1,613**	**41,999**
Logistics	**51,194**	**10,002**	**4,125**	**65,321**
Other	**6,100**	**67**	**136**	**6,303**
Ports & Terminals	**45,231**	**11,930**	**2,678**	**59,839**
Property	**22,165**	**2,423**	**1,681**	**26,269**
	164,651	**34,197**	**10,717**	**209,565**

Gross premiums written – 2019	Policyholders located outside EU US$000s	Policyholders located in other EU states US$000s	Policyholders located in UK US$000s	Total US$000s
Cargo	7,854	1,460	582	9,896
Containers and Chassis	33,315	7,647	1,427	42,389
Logistics	47,963	9,134	3,547	60,644
Other	6,202	208	294	6,704
Ports & Terminals	44,734	9,881	2,510	57,125
Property	20,459	3,697	1,058	25,214
	160,527	32,027	9,418	201,972

Notes to the Financial Statements (continued)

Note 6:

Provision for unearned premium

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

	Gross		Reinsurers' share	
	2020 US$000s	2019 US$000s	**2020 US$000s**	2019 US$000s
At 1 January	**75,162**	67,382	**63,005**	57,028
Increase in provision	**2,406**	7,780	**2,053**	5,977
At 31 December	**77,568**	75,162	**65,059**	63,005

Note 7:

Claims

(i) Claims paid

Claims paid include claims handling charges paid to the Managers totaling US$8.6 million (2019: US$8.9 million).

(ii) Insurance contract liabilities and assets

Movement in insurance liabilities and reinsurance assets

	2020 Gross US$000s	**2020 RI US$000s**	**2020 Net US$000s**	2019 Gross US$000s	2019 RI US$000s	2019 Net US$000s
Technical provisions at beginning of the year	**288,990**	**(265,988)**	**23,002**	287,047	(263,453)	23,594
Claims (paid)/recovered	**(105,590)**	**97,413**	**(8,177)**	(110,219)	101,658	(8,561)
Claims incurred	**115,364**	**(109,785)**	**5,579**	109,113	(101,094)	8,019
Portfolio transfer	**–**	**–**	**–**	2,701	(2,701)	–
Exchange differences	**7,987**	**(4,409)**	**3,578**	348	(398)	(50)
Technical provisions at the end of the year	**306,751**	**(282,769)**	**23,982**	288,990	(265,988)	23,002

Claims development tables

The development of insurance liabilities provides a measure of TTI's ability to estimate the ultimate value of claims. The top half of each table on the next two pages illustrates how TTI'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 statement of financial position.

Movement in prior year's provision for claims outstanding

There was a release in prior year's reserves and margins of US$ 1.5 million during the year (2019: US$ 2.1 million released).

Notes to the Consolidated Financial Statements (continued)

Note 7:

Claims (continued)

Assumptions underlying insurance balances

Reserving process

The risks associated with insurance contracts are complex and subject to a number of variables. TTI 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 TTI in estimating liabilities are:

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

Significant delays are experienced in the notification and settlement of certain types of insurance claims, the ultimate cost of which may vary from the original assessment. Adjustments to claims provisions established in previous years are reflected in TTI's 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

	2011 US$000s	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s	2018 US$000s	2019 US$000s	2020 US$000s
At end of reporting year	140,644	138,524	118,051	115,939	135,673	113,216	125,638	133,413	133,216	134,584
1 year later	154,624	137,890	100,649	102,323	120,229	113,931	108,682	118,051	113,818	
2 years later	151,985	127,325	90,852	94,035	119,556	106,387	103,126	118,007		
3 years later	121,121	129,271	87,935	96,489	111,222	109,533	103,756			
4 years later	112,936	125,434	86,567	94,341	105,551	107,208				
5 years later	112,259	125,268	84,352	94,525	108,546					
6 years later	110,446	119,154	83,408	96,262						
7 years later	110,069	121,866	84,759							
8 years later	109,806	126,340								
9 years later	109,938									
Estimate of ultimate claims	**109,938**	**126,340**	**84,759**	**96,262**	**108,546**	**107,208**	**103,756**	**118,007**	**113,818**	**134,584**
Cumulative payments to date	**107,913**	**117,743**	**79,866**	**86,865**	**98,287**	**92,553**	**79,024**	**77,546**	**51,426**	**13,932**
Liability recognised on SOFP	**2,024**	**8,597**	**4,893**	**9,397**	**10,259**	**14,655**	**24,732**	**40,461**	**62,392**	**120,652**
Total liability relating to years 2011-2020										**298,063**
Other claims liabilities for prior years										**8,688**
Total technical provisions included in statement of financial position										**306,751**

Note 7:

Claims (continued)

Insurance claims – net

Estimate of ultimate claims costs attributable to policy years

	2011 US$000s	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s	2018 US$000s	2019 US$000s	2020 US$000s
At end of reporting year	10,614	11,610	10,179	10,181	10,273	10,015	11,215	9,922	8,559	10,282
1 year later	10,983	11,416	8,802	8,955	9,910	9,551	9,671	8,823	8,502	
2 years later	11,152	10,622	7,881	8,165	9,925	9,966	9,114	8,880		
3 years later	10,007	9,982	7,694	8,359	9,195	10,137	8,996			
4 years later	9,534	9,758	7,584	8,175	8,640	9,981				
5 years later	9,507	9,630	7,175	8,178	8,907					
6 years later	9,336	9,493	7,079	8,315						
7 years later	9,316	9,704	7,194							
8 years later	9,310	9,851								
9 years later	9,324									
Estimate of ultimate claims	**9,324**	**9,851**	**7,194**	**8,315**	**8,907**	**9,981**	**8,996**	**8,880**	**8,502**	**10,282**
Cumulative payments to date	**9,132**	**9,337**	**6,766**	**7,499**	**8,012**	**8,810**	**6,898**	**5,758**	**3,773**	**1,090**
Liability recognised on SOFP	**192**	**514**	**429**	**816**	**895**	**1,171**	**2,098**	**3,122**	**4,729**	**9,192**
Total liability relating to years 2011-2020										**23,157**
Other claims liabilities for prior years										**825**
Total technical provisions included in statement of financial position										**23,982**

Notes to the Consolidated Financial Statements (continued)

Note 8:

Net operating expenses

	2020 US$000s	2019 US$000s
Acquisition costs		
Brokerage and commission	**24,938**	22,354
Management fee in respect of underwriting	**14,958**	14,539
Change in deferred acquisition costs	**(278)**	(976)
	39,618	35,917
Administration expenses		
Management fee in respect of management and performance related fee (see note below)	**18,975**	23,793
General expenses	**4,540**	5,232
Directors' fees	**434**	400
Directors' travelling costs	**–**	16
Auditors' remuneration:		
- Fee payable to the company's auditor for the audit of the company's annual financial statements	**359**	304
Non-audit services		
- Other services pursuant to legislation, including the audit of the regulatory returns	**156**	148
- Other services	**8**	7
	24,472	29,900
Total operating expenses before commission on reinsurance contracts	**64,090**	65,817
Commission on reinsurance contracts	**(7,968)**	(8,621)
	56,122	57,196

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

TTI had no employees during the year (2019: none).

Notes to the Consolidated Financial Statements (continued)

Note 9:

Investment return

	2020 US$000s	2019 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**1,944**	2,305
Net gain on the realisation of investments	**415**	197
Net unrealised gains on investments	**301**	1,086
Interest income	**–**	–
	2,660	3,588
Investment expenses and charges		
Foreign exchange losses	**(5)**	(396)
Other investment management expenses	**(283)**	(254)
Interest payable	**(442)**	(502)
Total investment return	**1,930**	2,436

Investment return is analysed between:		
Allocated investment return transferred to the technical business account	**495**	951
Net investment return included in the non-technical account	**1,435**	1,485
Total investment return	**1,930**	2,436

Notes to the Consolidated Financial Statements (continued)

Note 10:

Tax on ordinary activities

	2020 US$000s	2019 US$000s
(i) Analysis of tax charge on ordinary activities		
UK tax	**(45)**	(66)
Italian Tax	**(340)**	–
Foreign tax	**–**	–
Adjustments in respect of prior years	**31**	51
	(354)	(15)

(ii) Factors affecting tax charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2019:19%) – the differences are explained below:

	2020 US$000s	2019 US$000s
Surplus on ordinary activities before tax	**2,973**	4,060
Tax at 19% (2019: 19%) thereon	**(565)**	(769)
Effects of:		
Charge in the current year		
Surplus for the year not taxable in the United Kingdom (see note below)	**520**	703
Italy	**(340)**	–
Adjustments in respect of prior periods		
United Kingdom	**(4)**	86
United States	**–**	–
Italy	**–**	(3)
Australia	**35**	(32)
	(354)	(15)

The taxation charge comprises a charge for UK taxation at a rate of 19% based on 10% of TTI'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. Currently the UK government is planning to increase the corporate tax rate to 25% in 2023.

Notes to the Consolidated Financial Statements (continued)

Note 11:

Other financial investments

TTI's financial investments are summarized by measurement category in the table below:

	Carrying value		Purchase price	
	2020 US$000s	2019 US$000s	**2020 US$000s**	2019 US$000s
Held at fair value through profit and loss:				
- debt securities	**101,118**	101,321	**99,593**	100,096
- UCITS	**12,803**	5,976	**12,803**	5,976
	113,921	107,297	**112,396**	106,072

TTI's debt securities and UCITS are all geographically located in the United States.

Notes to the Consolidated Financial Statements (continued)

Note 12:

Deferred acquisition costs

	2020 US$000s	2019 US$000s
On insurance contracts	**7,548**	7,270

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

	2020 US$000s	2019 US$000s
At 1 January	**7,270**	6,294
Expenses for the acquisition of insurance contracts deferred (net of amortisation) during the year	**278**	976
At 31 December	**7,548**	7,270

Note 13:

Surplus and reserves

	2020 US$000s	2019 US$000s
Balance at beginning of year	**66,894**	62,849
Surplus on ordinary activities after tax	**2,619**	4,045
Balance at end of year	**69,513**	66,894

Note 14:

Guarantee from parent company

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

Note 15:

Related party transactions

TT Club Mutual Insurance Limited is reinsured by its parent Through Transport Mutual Insurance Association Limited ("TTB") under a 90% whole account quota share. The premiums written on this agreement amounted to US$ 115.2 million (2019: US$ 101.7 million). The recoveries on paid claims was US$ 73.6 million (2019: US$ 77.1 million). A total of US$ 25.5 million was paid to TTI from TTB in relation to commission on the quota share contract (2019: US$ 30.3 million).

Reinsurers' share of the provision for unearned premiums includes US$ 43.5 million (2019: US$ 44.7 million) in relation to the quota share with the parent company. Reinsurers' share of the provision for outstanding claims includes US$ 215.8 million (2019: US$ 207.0 million) in relation to the quota share with the parent company.
TT Club Mutual Insurance Limited is managed by Through Transport Mutual Services (UK) Ltd.

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

Note 16:

Shares in subsidiary undertaking

Name of subsidiary	Country of incorporation	Class of shares held	Principal activity	Proportion of shares held and voting rights
TT Club Mutual Insurance N.V.	Netherlands	Ordinary	Non trading company	100%

Note 17:

Ultimate parent company

TTI's immediate and ultimate parent company and controlling party is Through Transport Mutual Insurance Association Limited, a company incorporated in Bermuda. The financial statements are available from the registered office of TTI. This is the smallest and largest group into which these financial statements are consolidated.

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