



Approaching our changing world from a position of strength

Financial highlights 2021

TT CLUB
IS MANAGED
BY **THOMAS
MILLER**

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Chairman's Review

I write to you following what has been another challenging year for us all, but one in which I can tell you that your Club has performed well. Generally the Club is in very good health having grown significantly over the last three years and notably, as assessed through the Customer Satisfaction Survey run in 2021, continues to deliver the industry leading product and service expected by Members.



The Club has performed well in the year, indeed the combined ratio for the 2021 policy year is 89 per cent and the result is the product of the strong policy year performance coupled with two notable factors reducing it.

Regrettably, however, Covid and lockdown measures put in place to mitigate its impact continue to be a major issue for all of us. There are signs in certain parts of the world that for vaccinated populations the latest mutation of the virus, known as Omicron, is not as impactful as feared and with this is a welcome relaxation in lockdown measures. This is not uniformly the case though and particularly in certain parts of the Asia Pacific region it remains difficult to cross international borders.

We must all be hoping that by the end of 2022 the world has come to terms with this dreadful virus and it is no longer such a major factor in all our lives. I can tell you on a more positive note that in terms of its impact on the Club, it continues to be quite limited. The Club has not seen a large number of claims from Members caused by the virus and the Club's operations continue to run effectively in spite of a large number of employees working from home for large parts of the year. As with many organisations, however, face-to-face contact with Members and brokers has been extremely limited. I expect this to improve in 2022.

Financial Performance

The Club's net result for the year is US\$ 8.8 million. The Club has performed well in the year, indeed the combined ratio for the 2021 policy year is 89 per cent and the result is the product of the strong policy year performance coupled with two notable factors reducing it. First, the Board has decided to strengthen the Club's claims reserves, notably in respect

of the Club's exposure to bodily injury claims. This is an important category of risk for the Club and a valuable head of cover for Members and the Club's exposure to it has increased in recent years as new Members have joined. Second, the Club is mid-way through a project to replace its suite of operating systems and as you would expect this is an expensive task. A management fee has been paid to Thomas Miller for the bulk of the cost.

Member reported volumes in the year, together with very good new business performance caused the Club's gross written premium in the year to rise to US\$ 263 million. This has grown 40 per cent from 2017 when it was US\$ 188 million and has been delivered largely in the Club's core Member categories. As a result of this growth and tight control of expenses the Club's expense ratio in this period has reduced from 22 per cent to 17 per cent before the additional management fee to cover the replacement of the Club's operating systems. Investment income in the year was a healthy 3.62 per cent with the Club's relatively small investment in equities delivering good returns in the year.

There are signs that the dynamics in insurance markets are now changing and competition for business is increasing. The high levels of new business in 2021 are unlikely to be seen in 2022, although the Club's very high retention rates are expected to be replicated in the year.

Chairman's Review

(continued)

Brexit

The Club's arrangements to maintain service to EEA Members and their brokers are now fully in place following the transitioning of the Club's pre 1 January 2021 claims liabilities into the Rotterdam-based subsidiary of the UK P&I Club, UK P&I Club N.V. ("UK N.V"), which the Club uses as a fronting vehicle to access EEA markets. This change occurred with effect from 31 December 2021 and follows the changes made to the issuance of new policies of insurance from UK N.V, in turn reinsured back to the Club, which started on 1 January 2021. The new arrangements have been running well and I am pleased to say that the feedback we have had is that the level of service delivered to EEA Members has not reduced. In fact, as a result of Thomas Miller establishing an office in Rotterdam with TT resource based in it, there is more resource on the ground in the EEA serving the Club's customers. I thank all those Members impacted by this change for their continuing support for the Club, and I would ask that any feedback on the arrangements be given to the Managers so that they can adapt them as required.

Upgrading IT systems

As mentioned above the Club's operating systems are being upgraded to take advantage of changes in technology and as part of positioning the Club to make the most of digital technologies. This is a major project for the Club both in terms of cost, but also risk in changing systems amongst which is the insurance company system of record. As well as strengthening the Club's in-house IT team to meet the demands of the project, it is being run with the assistance of experts engaged to ensure best practice is brought to bear in all respects.

Loss prevention

The anticipation as the world entered 2021 was that a corner had been reached and the pandemic tide would turn, inevitably leaving a changed shoreline, but returning levels of normality to interactions and service. Nevertheless, while pockets of in-person meetings have been possible, the Club's loss prevention has continued, almost exclusively in a virtual environment, to support the multiple challenges faced by supply chain stakeholders.

Multimedia delivery

The loss prevention team has embraced these new ways, continuing webinars and podcasts, amongst other online meetings. The webinars in particular have proved highly effective, drawing in expertise from the Club's network without significant impact on cost, time or environment, and delivering value to more than 2,100 attendees from 112 countries. There have been a wide range of topics covered, such as in depth consideration of the Convention on the Contract for the International Carriage of Goods by Road ("CMR") Convention available for Members, as well as debates on ship fires, risks arising from abandoned cargoes and issues of freight crime.

The loss prevention podcast channel, TT Live, has proved successful and now has listeners in 75 countries. The medium continues to host TT Talk articles on a monthly basis and has been supplemented by a series focused on supply chain security. Freight crime continues to be an issue of significance in the industry, and the Club has maintained and enhanced collaboration with like-minded entities interested in exposing the extent of the problems faced, including working with law enforcement agencies. Apart from carrying on producing the annual global freight crime analysis with BSI Supply Chain Services and Solutions, the Club has also created a series of short animation clips illustrating common cargo theft methodologies.

Chairman's Review

(continued)

The Club has long valued working with other associations and entities across the supply chain where there is commonality in enhancing safety and security. This value is pursued vigorously since it both enhances understanding of existing and emerging risk through the industry, as well as outworking the Club's brand and influence.

Loss prevention (continued)

Multimedia delivery (continued)

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

In a further attempt to broaden the accessibility of key loss prevention messaging the Club also launched a new scheme of succinct and visually led risk mitigation guidance called "TT Brief", originally initiated to serve specific regional needs, but readily recognised as globally applicable. The first series to be issued focused on common issues faced by logistics operators, particularly around movement of cargo on land; further series are under production. These are aimed at operational personnel, transport managers, those with training responsibilities, designed to support social media dissemination, alongside 'tool box' safety talks. These pithy advisories are available in multiple languages to facilitate diverse audience engagement.

Collaboration

The Club has long valued working with other associations and entities across the supply chain where there is commonality in enhancing safety and security. This value is pursued vigorously since it both enhances understanding of existing and emerging risk through the industry, as well as outworking the Club's brand and influence.

During this last season the industry has experienced many innovative solutions, driven by the imperatives of improved resilience as much as opportunities emerging within digitalisation. In this

context, the Club has been delighted to renew its 'Innovation in Safety Award' in collaboration with ICHCA International, and received over 30 entries covering a range of proven technical, procedural and practical safety improvement initiatives. Within the Club, the loss prevention team works closely with the newly created role of Digital Lead in identifying and monitoring change across the industry, that spans both digitalisation of processes and disruptive technologies, such as unmanned aerial drones.

Understanding all these developments allows the Club to build sustainable relationships with innovators whilst offering expert guidance and advice, positively influencing through the development stage.

The Club also works with others to augment the industry voice at a very practical level, on issues such as the long term cargo integrity campaign. The key output of 'CTU Code – a quick guide' in the second half of 2020 has now been made available in a total of seven languages in order to improve its accessibility. Work amongst the Cargo Integrity Group ("CIG") has continued through the last year, seeking to address concerns relating to prevention of the cross-border movement of invasive pests and cargo fires within containers, particularly aboard ships. The Club is delighted that the CIG partnership has been strengthened in January 2022 with the addition of International Federation of Freight Forwarders Associations ("FIATA") and Bureau International des Containers ("BIC"), both of whom are recognised and important entities for the intermodal supply chain.

Conclusion

Loss prevention in the Club primarily seeks to respond to the experience of its membership and an understanding of emergent risks. In this context, it is important to recognise that each initiative has been driven by Member and broker feedback and on-the-ground input. The Club is grateful for the level of interaction it enjoys across the industry and looks forward to further engagement in the coming year.

Chairman's Review

(continued)

The Managers have reported that the headline satisfaction score remains very high, continuing a steady upward trend begun in 2014, moving to the highest score seen to date of 8.68 out of 10.

Customer Satisfaction Survey

Many of you will recall participating in the Club's online customer satisfaction survey last summer, which was structured to benchmark Member and broker satisfaction against the 2018 position, invite comment with respect to your experience with the Club's service in light of Covid disruption, and enquire into changes in your and your brokers' needs as a result of Covid, Brexit and other transformation in your business. The Managers have reported that the headline satisfaction score remains very high, continuing a steady upward trend begun in 2014, moving to the highest score seen to date of 8.68 out of 10. The organisation that ran the Survey on the Club's behalf report that this score, as well as the "net promoter score" quantifying Member and broker loyalty and advocacy for the Club, are at the highest level seen in any business-to-business context. The responses concerning Club service and your changing needs were both gratifying in confirming that service levels remain high, and useful in providing feedback as to areas of emerging need as a result of Covid and industry changes. The strongest message received was in respect to awareness and uptake of the Club's digital service offering. The Members and brokers using the system confirmed the usefulness of the service, and appreciation for a constant development cycle delivering new functionality directed at your needs, but relatively low uptake figures have made plain that significantly higher engagement will be necessary to make the most of the system's capabilities. The Board has directed the Managers to prioritise, measure, and track Member and broker uptake and engagement, and report progress through 2022.

Environmental, social and governance ("ESG")

Your Board takes very seriously its responsibility to govern and lead the Club in a way that it is a good corporate citizen. The Club already has many attributes now being identified as necessary in this regard. It was set up by the industry with a purpose of making the industry safer and more secure. Making money has never been a factor in the way the Club was run, other than to have sufficient capital to meet regulatory

and rating agency requirements. Providing the industry with the right cover for the risks it faces and helping Members handle their claims are core to what the Club does, as is sharing the risk management experience of Members so that all Members' risk management benefits. The Club Board will consider its approach to ESG at its meeting in June having identified the areas where it would be beneficial to take action. This work will be undertaken in conjunction with that of the Club's Manager, Thomas Miller which is also putting in place an ESG framework and I will say more on this in the Review for the 2022 year.

Directors and Board Committee

The Boards and Committees continued to meet to their usual schedules in 2021, albeit that many of the meetings were hybrid ones being run partly in person and partly via videoconference facilities. The Board has been closely monitoring its performance during these unusual arrangements and while it is undoubtedly the case virtual or hybrid meetings do not fully replicate the advantages of face-to-face events, they have proved effective at maintaining sound governance over the Club's affairs. It is likely that the meetings in 2022 will follow the patterns established in 2020 and 2021, with a return to pre- Covid arrangements in 2023.

Three Directors retired from the Board in the year. John Reinhart retired in March 2021 and Tan Chor Kee and Tim Leggett retired in June 2021. Mr Tan was a Director of the Club for 12 years and he represented the Singaporean and South East Asian membership very well during this time. Mr Reinhart was a Director of the Club for six years and his experience in governance in mutual insurance companies from other roles in the marine mutual sector will be missed. Mr Leggett served a full term as a Director of the TT Bermuda Board and more recently on the TTI Board too specialising in financial matters. This role, when coupled with the other two specialist director roles focusing on underwriting and investments, is an important part of the Club's governance and Mr Leggett's expertise was very beneficial to the Club. He has been replaced in the specialist role by Marcus Hine.

Chairman's Review

(continued)

Directors and Board Committee (continued)

During the year, the Board has also welcomed Hans-Jörg Bertschi (Executive Chairman of the Bertschi Group), Stephen Edwards (CEO of Virginia Port Authority), Gan Chee Yen (Co-President and Executive Director of PIL) and Robert Owens (President and CEO of Nautilus International Holdings Corporation) and my Board colleagues and I look forward to working with them all.

There was no change to the Directors' fees paid in the year, with the next review to be carried out in early 2023 for consideration by the membership at the Annual General Meeting in June.

The Club Board was scheduled to meet in Singapore, Lisbon and Bermuda, but in fact the March and June meetings of the Board were virtual and the November meeting was hybrid with a number of Directors meeting face-to-face in Hamburg. In 2022, the plan is for the Board to meet in March in Dubai, in June in Chicago and in Bermuda in November.

The Board is extremely grateful to all Members and their brokers for their support in the year. This support is not taken for granted as I believe is evidenced by the very strong results from the Customer Satisfaction Survey. The world has changed as companies have sought to respond to both the positives and negatives in their environments over the last two years and the Club is committed to developing its product and service to meet Members' changing needs. I wish you all the best for 2022.

Before ending I should mention the extremely regrettable events in Ukraine, which at the time of writing this review are developing quickly. Like many insurers involved with transportation risks the Club provides cover for exposures incurred in the region and action has been taken to maintain the Club's cover in line with guidance from the Joint War Committee (JWC) of Lloyd's of London to update the list of excluded areas under its covers for Marine War Risks, Piracy and Strikes Riots & Terrorist Risks. In respect of Russian and Belarussian business, at its meeting on 24 March 2022 the Board of Directors of the Club decided that the Club will no longer renew existing policies or underwrite new policies going forwards. Let us all hope the situation is resolved quickly.



U. Kranich
Chairman
1 April 2022

Financial Highlights

for the year ended 31 December 2021

A-
(excellent)

AM Best financial strength rating

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

95%

Financial year combined ratio / %

(2020 = 81) Total claims and expenses
divided by net earned premiums, excluding
exchange movements, quota share
reinsurance and exceptional items

104.0

Gross paid claims / US\$ million
(2020 = 108.7)

248.2

Gross earned premiums / US\$ million
(2020 = 220.4)

3.6%

Underlying investment return / %
(2020 = 3.2)

8.8

Net result / US\$ million
(2020 = 21.5)

255.9

Total surplus and reserves / US\$ million
(2020 = 247.1)

97%

Member retention / %
(2020 = 97) Based on gross written premium

Five-year Summary

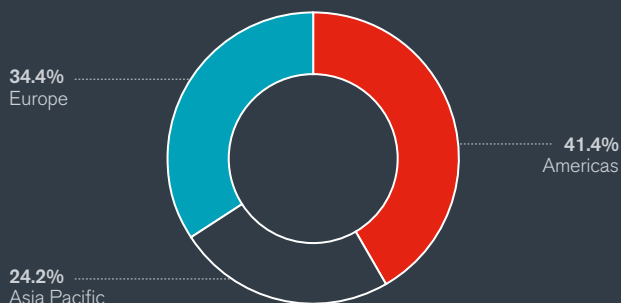
	2017 US\$000s	2018 US\$000s	2019 US\$000s	2020 US\$000s	2021 US\$000s
Gross earned premiums	181,790	194,983	206,178	220,431	248,208
Brokerage and commission	(20,816)	(22,842)	(24,285)	(26,680)	(26,423)
Gross earned premiums, net of brokerage and commission	160,974	172,141	181,893	193,751	221,785
Reinsurance premiums ceded	(32,925)	(56,876)	(59,519)	(55,303)	(64,584)
Net claims incurred	(95,365)	(71,354)	(82,893)	(87,125)	(121,628)
Net operating expenses	(33,104)	(30,691)	(46,509)	(41,495)	(40,450)
Investment return	8,237	4,911	22,870	12,770	16,313
Reversal of negative goodwill	0	0	3,625	0	0
Exchange gains/(losses)	1,552	(985)	(2,561)	(87)	(1,344)
Interest payable	(2,442)	(589)	(502)	(442)	(479)
Taxation	367	(97)	(383)	(552)	(809)
Surplus for the year	7,294	16,460	16,021	21,517	8,804

Summary balance sheets

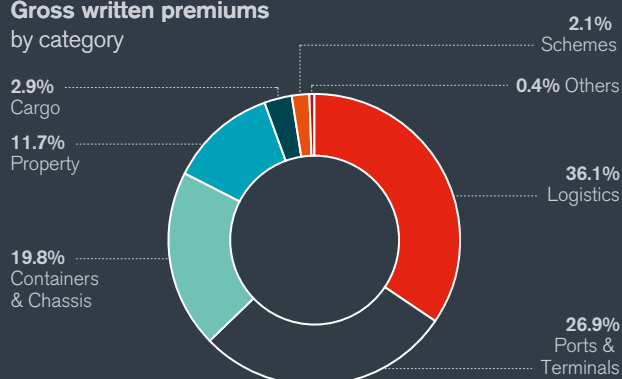
Total cash and investments	469,206	483,773	487,815	523,495	568,523
Other assets	128,413	135,574	145,961	161,808	187,019
Total assets	597,619	619,347	633,776	685,303	755,542
Gross unearned premiums and claims reserves	(374,471)	(377,122)	(382,249)	(405,587)	(468,647)
Other liabilities	(30,088)	(32,705)	(25,986)	(32,658)	(31,033)
Total surplus and reserves	193,060	209,520	225,541	247,058	255,862

Comparative Figures

**Gross written premiums
by region**

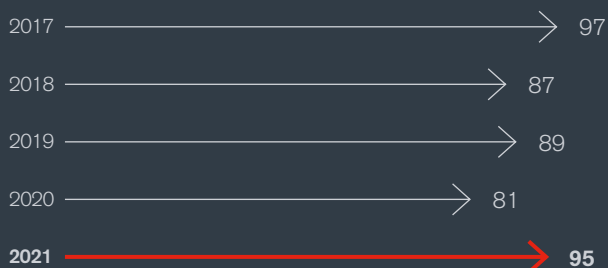


**Gross written premiums
by category**



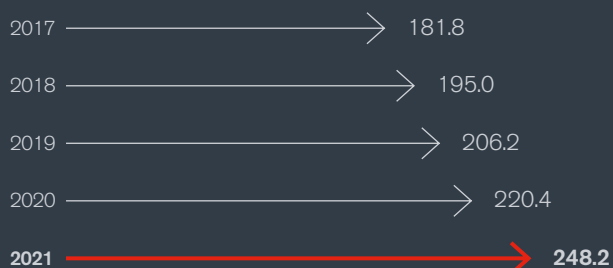
95%

Combined ratio / %
(excluding exceptional items)



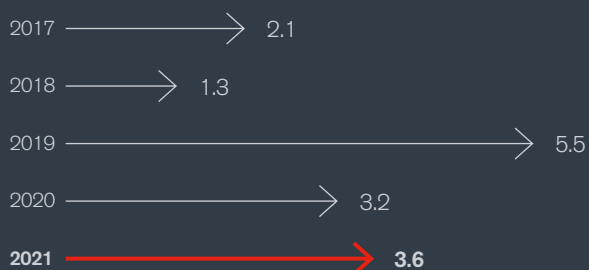
248.2

Gross earned premiums
US \$ millions



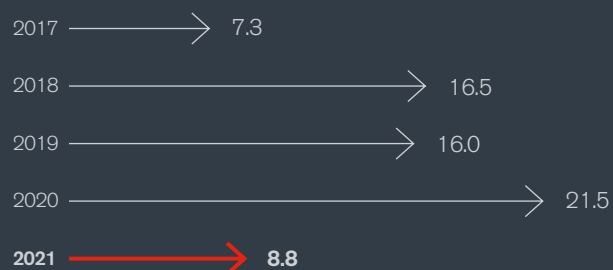
3.6%

Investment return / %
(before investment management fees)



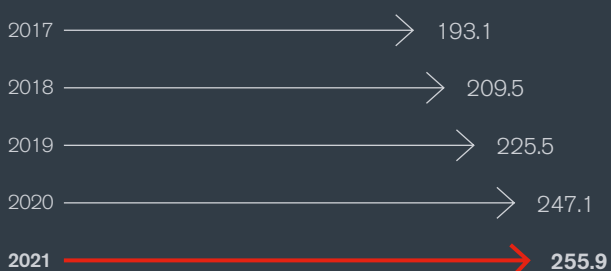
8.8

Net result
US \$ millions



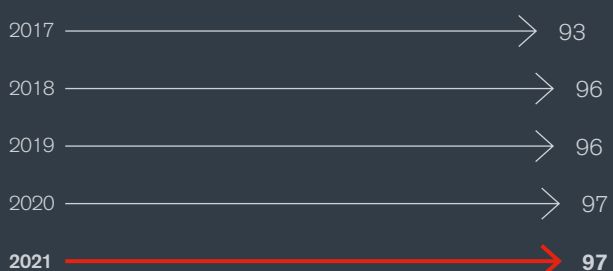
255.9

Surplus and reserves
US \$ millions



97%

Member retention / %
(based on gross written premium)



Board of Directors

As of 30 April 2022

CHAIRMAN



U Kranich**
Hamburg

DEPUTY CHAIRMAN



J Küttel**
Luzern

DIRECTORS



A Abbott*
Atlantic
Container Line,
New York



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



G Benelli*
Specialist
Director
(Investment)



H-J Bertschi*
Bertschi Group,
Dürrenäsch



Chang Yen-I*
Evergreen
Group,
Taipei



Chen Xiang*
COSCO
Container Line,
Shanghai



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



M d'Orey*
Orey Shipping SL,
Lisbon



S Edwards*
Virginia Port
Authority,
Norfolk



M Engelstoft*
A P Møller-Maersk,
Copenhagen



T Faries*
Appleby,
Bermuda



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



A Fullbrook*
OEC Group,
New York



Gan Chee Yen*
Pacific
International
Lines (Pte) Ltd,
Singapore



M Hine**
Specialist
Director
(Finance)



R Murchison*
Murchison Group,
Argentina



Y Narayan*
DP World,
Dubai



J Neal*
Carrix,
Seattle



J Nixon*
Ocean Network
Express,
Singapore



M Onslow*
Specialist
Director
(Insurance)



R Owens*
Nautilus
International
Holding
Corporation,
Long Beach



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



N Smedegaard**
DFDS,
Copenhagen



S Tranantasin*
RCL Group,
Bangkok



S Vernon*
Triton
International Ltd,
Bermuda

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

Directors of TT Club Mutual Insurance Ltd (TTI)

