Solvency and Financial Condition Report

TT Club Mutual Insurance Limited

Year ended 31 December 2021

Contents

Summary

This document forms the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2021 that is required to be published by TT Club Mutual Insurance Limited ("TTI").

The SFCR and attached appendices have been prepared on a solo basis for TTI but given the group supervision provisions under Solvency II and as TTI and its parent company, Through Transport Mutual Insurance Association Limited ("TTB"), are managed as a single business the report also includes relevant information for the Group as a whole.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. During the year there have been no material changes in this regard.

The ultimate Administrative Body that has the responsibility for all of these matters is the Club's Board of Directors, with the help of various governance and control functions that have been put in place to monitor and manage the business.

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'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.

During the year under review, TTI made a deficit of US$ 2.891 million (2020: surplus of US$ 2.619 million) as reported in its annual financial statements prepared under UK GAAP. This comprised a deficit of US$ 1.084 million (2020: surplus of US$ 1.538 million) on the technical account and a deficit of US$ 1.807 million (2020: surplus of US$ 1.081 million) on the non-technical account. As at 31 December 2021 TTI had surplus and reserves of US$ 66.622 million (2020: US$ 69.513 million).

Under Solvency II, TTI's eligible own funds amounted to US$ 69.599 million (2020: US$ 75.792 million) compared with its Solvency Capital Requirement ("SCR") of US$ 44.941 million (2020: US$ 42.765 million) resulting in a solvency ratio of 155% (2020: 177%).

TTB made a consolidated surplus for the year of US$ 8.804 million (2020: US$ 21.517 million) and as at 31 December 2021 had surplus and reserves of US$ 255.862 million (2020: US$ 247.058 million).

On a Solvency II basis, TTB's eligible own funds amounted to US$ 280.7 million (unaudited) (2020: US$ 267.0 million (unaudited)) compared with a SCR of US$ 130.6 million (unaudited) (2020: US$114.6 million (unaudited)) resulting in a solvency ratio of 215% (unaudited) (2020: 233% (unaudited)).

Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a. throughout the financial year in question, TT Club Mutual Insurance Limited has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
b. it is reasonable to believe that TT Club Mutual Insurance Limited has continued so to comply subsequently and will continue so to comply in future.

Signed on behalf of TT Club Mutual Insurance Limited

Date: 8 April 2022

Report of the external independent auditors to the Directors of TT Club Mutual Insurance Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2021, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 growth rates, net loss ratios, and expense ratios;
- Assessing the company's current liquidity and capital solvency position, in addition to management's forecasts over liquidity and solvency;
- 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 the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report 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.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report 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 in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report 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 it 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 decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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/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 Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition

Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the Solvency and Financial Condition Report such as the valuation of the Company's technical provisions and solvency capital requirement. Audit procedures performed 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 company's technical provisions and solvency capital requirement;
- 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 Solvency and Financial Condition Report. 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.

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

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. 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 in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London UK SE1 2RT

8 April 2022

A. Business & Performance

A.1 Business

A.1.1 Corporate information

TTI is incorporated in England and Wales as a company limited by guarantee without share capital. TTI's parent undertaking is Through Transport Mutual Insurance Association Limited ("TTB").

TTB is registered in Bermuda as a company limited by guarantee without share capital. TTB is incorporated in Bermuda under the Through Transport Mutual Insurance Association Limited Consolidation and Amendment Act 1993 as an exempted company.

Collectively TTB and TTI form "TT Club" and in this document are also referred to as "the Club" or "the Group".

TTI is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA is located at the 20 Moorgate, London, EC2R 6DA, United Kingdom and the FCA at 12 Endeavour Square, London E20 1JN, United Kingdom. TTB is regulated by the Bermuda Monetary Authority ("BMA"). The BMA is located at BMA House, 43 Victoria Street, Hamilton, P.O. Box 2447. Hamilton HMJX, Bermuda.

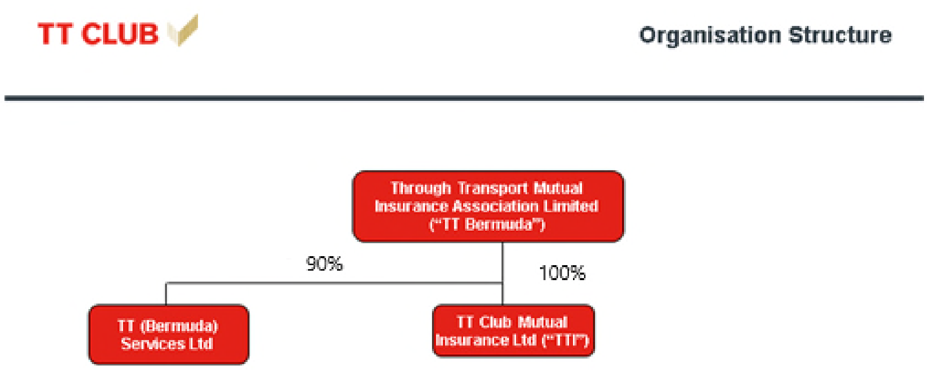
The external auditor of both TTI and TTB is PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT.

A.1.2 Group structure

TTB controls 100% of the voting rights of TTI with TTB and TTI's mutual policyholders controlling 100% of the voting rights in TTB.

The Group operates as a single business. 93% of policies of insurance issued by the Group are written by TTI and all mutual policyholders of TTI are Members of TTB. The policyholders therefore hold all voting rights of TTB and the Group.

The Articles of Association of TTI and the Bye-Laws of TTB are very similar and the terms and conditions of insurance policies issued by the two entities are identical. The group structure is as follows:



A.1.3 Business Mission and Strategy

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 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 its organisation. This expertise will be applied to ensure that the Club is positioned to continue to meet the needs of the membership as those needs evolve.

In order to deliver the Club's mission, including in particular preserving the Club's independence as a mutual entity, the Club follows four guiding principles:

- Deliver the capital strength and financial performance required by regulators, rating agencies and Members. In the case of the Club's rating agency this means maintaining the Club's current A- (Excellent) rating.
- Focus on achieving measured organic growth from the Club's core growth segments as the way to manage the Club's loss ratio and expense ratio within the Board identified risk appetites.
- Manage the Club's cost base both to control the expense ratio and to ensure the necessary investment is made so that the Club has the quality of staff and systems it needs to deliver its product to Members.
- Develop the relationship with the Club's Manager, Thomas Miller and, as appropriate, with other businesses managed by Thomas Miller better to prepare the Club to meet the challenges of insurance market conditions and the impact new technologies will have on the business models of Members, brokers and competitors.

A.2 Underwriting performance

The Club's balance on the technical account was a surplus of US$ 2.812 million in 2021 on a UK GAAP basis compared with a surplus of US$ 15.996 million in 2020.

The table below shows a summary of the technical account extracted from the Club's consolidated financial statements.

Summary of technical account

	2021 US$000s	**2020 US$000s**
Gross written premium	262,987	224,192
Reinsurance premium ceded	(70,453)	(58,545)
Change in provision for unearned premiums	(8,910)	(519)
Earned premiums, net of reinsurance	183,624	165,128
Allocated investment return transferred from the non-technical account and other technical income	7,689	6,172
Claims incurred, net of reinsurance	(121,628)	(87,125)
Net operating expenses	(66,873)	(68,179)
Balance on the technical account	2,812	15,996

The growth in the Club's gross written premium during 2021 of 17.3% was mainly due to net new business and organic growth. The retention rate for 2021 was 97% (2020: 97%).

The 2021 financial year combined ratio was 100% (2020: 85%). In 2021 the Club incurred exceptional costs in relation to a significant IT project. Excluding these items the combined ratio falls from 100% to 96%. The development of prior policy year claims development has been higher than expected, resulting in a strengthening of net prior year claims reserves and total margin, excluding currency effects, of US$ 10.4 million (2020: US$ 5.1 million).

The balance on the technical account for TTI was a deficit of US$ 1.084 million in 2021 on a UK GAAP basis compared with a surplus of US$ 1.538 million in 2020.

The below table shows a summary of the technical account extracted from TTI's financial statements.

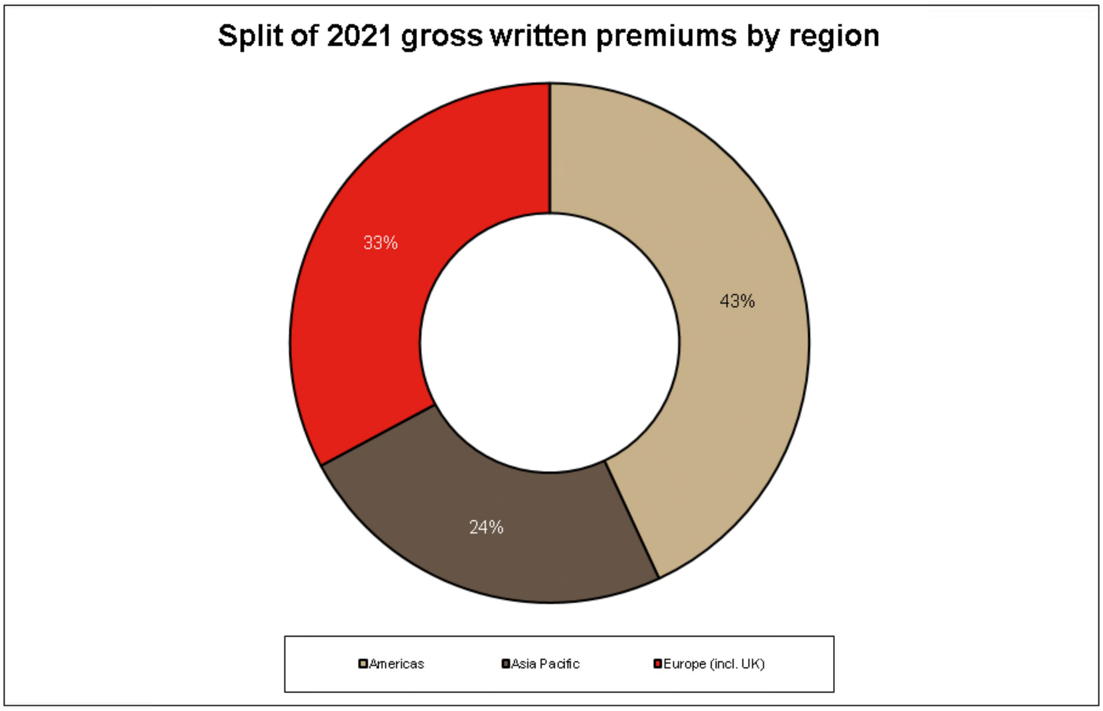
Summary of technical account

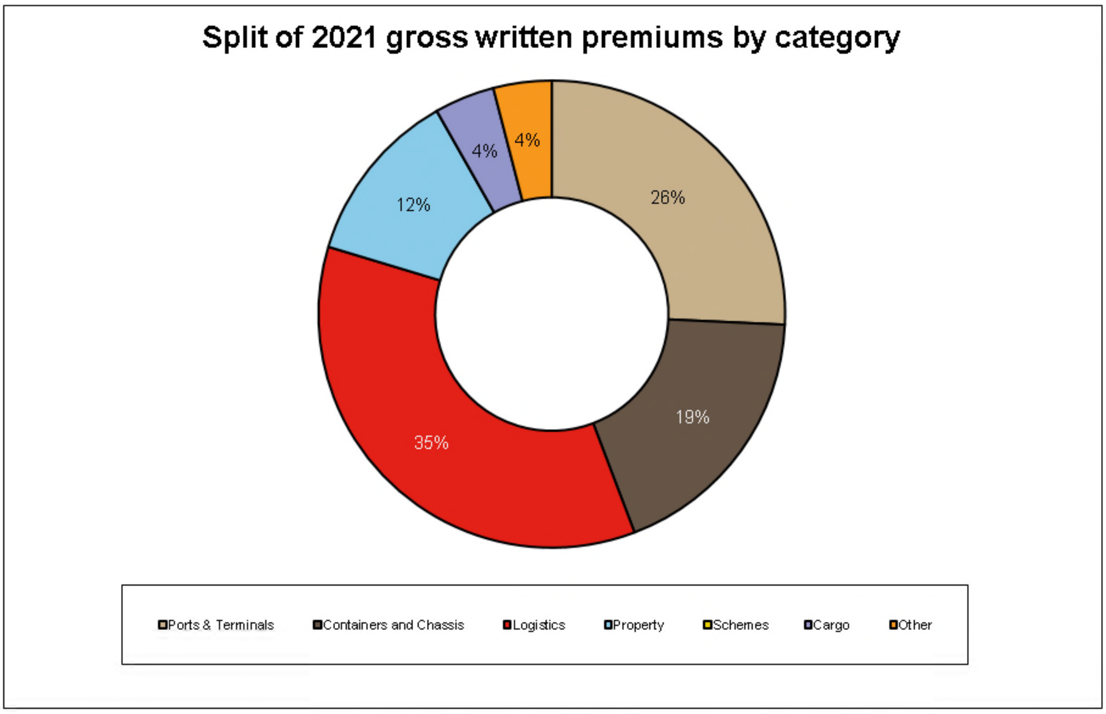
	2021	**2020**
	US$000s	**US$000s**
Gross written premium	245,578	209,565
Reinsurance premium ceded	(206,029)	(171,962)
Change in provision for unearned premiums	(1,098)	(353)
Earned premiums, net of reinsurance	**38,451**	37,250
Allocated investment return transferred from the non-technical account	(581)	495
Commission income, other technical income, net of reinsurance	29,148	25,494
Claims incurred, net of reinsurance	(11,710)	(5,579)
Net operating expenses	(56,392)	(56,122)
Balance on the technical account	**(1,084)**	1,538

The Club's membership is drawn from three main categories of operator:

- Container and Chassis owners and lessees (where the cover offered is principally loss and damage to equipment and third party liabilities arising out of faulty equipment);
- Port and terminal operators (offering cover for contractual and third party liabilities as well as property and business interruption insurance); and
- Transport & Logistics operators (offering cover for contractual and third party liabilities).

The split of the Club's 2021 gross written premiums by category and also by geographical distribution is as follows:





For information on TTI's underwriting performance by material line of business and geographical area refer to Quantitative Reporting Template ("QRT") s.05.01.02. and s.05.02.01 respectively which form part of the TTI's annual regulatory reporting requirement.

The split of gross written premiums by Solvency II line of business was as follows: marine, aviation and transport - US$ 129.732 million (53%), general liability – US$ 74.825 million (30%), fire and other damage to property - US$ 30.835 million (13%) and motor vehicle liability US$ 10.186 million (4%). In 2020 the figures were:
marine, aviation and transport - US$ 108.195 million (52%), general liability – US$ 65.679 million (31%), fire and other damage to property - US$ 26.195 million (12%) and motor vehicle liability US$ 9.497 million (5%).

The gross written premiums by home country (United Kingdom) and the top 5 other countries accounts for 56% of TTI's business (2020: 58%) and was split as follows: United Kingdom - US$ 12.590 million (5%), United States – US$ 75.776 million (31%), Hong Kong – US$ 17.726 million (7%), Australia – US$ 12.939 million (5%), Russia – US$ 11.096 million (5%) and Spain – US$ 7.749 million (3%). In 2020, the figures were: United Kingdom - US$ 11.099 million (5%), United States – US$ 67.311 million (32%), Hong Kong – US$ 16.140 million (8%), Australia – US$ 10.773 million (5%), Russia – US$ 9.288 million (5%) and Switzerland – US$ 7.099 million (3%).

A.2.1 Risk mitigation

The Club manages its gross underwriting risk profile through the maintenance of a number of risk appetite statements which enable an aggregated view of the risks underwritten by the Club. These statements cover the spread and balance of the risks underwritten by category/sector, region, policy limit and premium size.

For asset risks (property and handling equipment), the Club maintains a specific system and a number of updated controls to monitor aggregations globally. This is used in conjunction with mapping software in order to manage aggregations in areas exposed to natural catastrophes.

The Club also purchases "Excess of Loss" reinsurance to protect it against exposure to large or catastrophic claims. In addition to this, the Club has a 20% whole account quota share reinsurance to manage its residual exposure, particularly in relation to an increased number of claims.

The reinsurance arrangements are reviewed annually with reference to the Club's limit profile and Realistic Disaster Scenarios.

TTI has a 90% quota share reinsurance with TTB. Under this reinsurance contract 90% of TTI's retained risks, after recovery has been made from third party reinsurers, are reinsured by TTB. This reinsurance contract also includes a stop-loss element to protect TTI from an excessive accumulation of claims within its 10% retention.

A.3. Investment performance

In accordance with the Club's Investment Policy, its Investment Mandate is updated on a regular basis. The asset allocation established within the Mandate is principally determined to ensure that the Club's future cash flows arising from liabilities (primarily claims reserves) are matched by available assets of the correct currency and duration. Effective risk management is therefore the principal driver of investment allocation.

Having established a matched portfolio, the Club allocates surplus assets within the capital allotted to investment risk based on the Club's investment risk appetite. The Club seeks to achieve the best return available while limiting the risk accepted into the portfolio.

Factors that may influence future investment return are:

- Market performance – as affected by macro-economic, political or other factors
- Capital allocation and risk profile – determining the risk accepted into the portfolio
- Portfolio management – including asset allocation (both strategic and tactical)

A.3.1 Asset allocation

Investment return

The following table details the Club's investment return by asset class as reported in the Club's UK GAAP financial statements.

	2021 US$000s Actual	**2020 US$000s Actual**
Cash and deposits	6	51
Debt securities	17,751	14,058
Sub-total	17,757	14,109
Less: investment management fees	(1,444)	(1,339)
	16,313	12,770

The Club's overall return on its investment funds, excluding currency movements, was 3.6% before investment management fees. This compared to a return of 3.2% in 2020.

All of the Club's investment return in 2021 and 2020 was recognised in its income statement.

Investment performance in 2021 was good helped by favourable equity return and good bond performance in particular in the US. In 2021 the S&P 500 gave a total return of 28%. In 2021, US Dollar cash returned 0%, US Treasuries (1-3 year) returned -0.6%, US Treasuries (5-7 year) returned 7.0% and US Dollar corporate bonds (1-3 year, AAA-A) 4.0%.

The breakdown of TTI's investment return by asset class as reported in its UK GAAP financial statements was as follows.

	2021 US$000s Actual	2020 US$000s Actual
Cash and deposits	2	42
Debt securities	1,250	2,618
Sub-total	1,251	2,660
Less: investment management fees	(343)	(283)
	909	2,377

Asset allocation

The following table details the Club's cash and investments by asset class as reported in the Club's UK GAAP financial statements.

	2021 US$000s Actual	2020 US$000s Actual
Cash at bank and in hand	52,053	61,338
Debt securities	441,659	379,861
Derivative financial instruments	4	-
Equities	66,171	50,462
UCITS	8,636	31,834
Total	568,523	523,495

At December 2021 the Club's cash and investments totalled US$569 million.

The investment funds consisted of US$ 61 million held in US Treasury Bills and AAA-rated cash funds, US$ 381 million in other bonds, including floating rate notes.

The average duration of the cash & fixed income portfolio was 0.8 years. The allocation to corporate bonds was US$ 37.4 million.

The currency exposure of the Club's investment funds was in line with benchmark, with 80% in US Dollars, 12% in Euros, 4% in Australian Dollars and 4% in Sterling.

The breakdown of TTI's cash and investments by asset class as reported in its UK GAAP financial statements was as follows.

	2021 US$000s Actual	**2020 US$000s Actual**
Cash at bank and in hand	36,243	54,108
Investments in subsidiaries	-	121
Debt securities	160,738	101,118
UCITS	2,636	12,803
Total	199,617	168,150

A.4. Performance of other activities

As noted in A.2. above, all of the Club's activities relate to its core business.

A.5. Any other information

Overall the Club produced a surplus of US$ 8.804 million for the year ended 31 December 2021 resulting in an accumulated surplus of reserves of US$ 255.862 million.

Overall TTI produced a deficit of US$ 2.891 million for the year ended 31 December 2021 resulting in an accumulated surplus and reserves of US$ 66.622 million.

Brexit

With effect from 1 January 2021, i.e. following the end of the Brexit transition period, all of TTI's EEA renewing and new business is 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.

During 2021 an "Insurance Business Transfer Scheme" or "Part VII transfer" of TTI's back book of EEA business to UKNV was completed and took effect on 31 December 2021. The transferred business in turn was reinsured 100% back to TTI. The Part VII transfer was undertaken in order to facilitate the continuity of services provided in respect of policies written by TTI in relation to risks located in the EEA following the UK's exit from the European Union. The insurance liabilities transferred amounted to US$ 55.2 million. The liabilities for this business remain on the TTI balance sheet as reinsured liabilities from UKNV.

Ukraine

The Club's Directors have decided that in view of the situation in Ukraine the Club will no longer underwrite any Russian or Belarussian business in relation to both renewing and new policies with effect from 25 March 2022. All current and prior year Russian and Belarussian policies will continue to be serviced and will be run-off in an orderly manner.

The Directors consider that the impact of this decision as well as any claims arising from the Club's limited war risk exposures in Ukraine will not be material to the Club's financial position in 2022 and beyond.

The current sanctions situation is constantly changing and the Club continues to monitor this carefully.

B. System of Governance

B.1. General Information on the System of Governance

B.1.1 Overview

The Boards direct, and have responsibility for, all activities of each Club. The Board Directors of both TTB and TTI are drawn principally from the policyholder Members, although both Boards include Directors who are not drawn from the membership. These Directors hold specialist knowledge or executive responsibilities.

The Board of TTB consists of 26 Directors, mainly drawn from the Club membership but also including two specialist Directors (one in relation to investments and one in relation to finance) and two executive Directors (being the CEO and the Finance Director). The Board of TTI consists of nine Directors, including two specialist Directors (one in relation to insurance and one in relation to finance) and two executive Directors (being the CEO and the Finance Director).

The Boards have outsourced the day to day management of the Club to third party managers. Thomas Miller (Bermuda) Limited and Through Transport Mutual Services (UK) Limited, collectively “the Managers”, provide management services to TTB and TTI respectively.

The Directors consider the system of governance to be adequate given the nature, scale and complexity of the risks inherent to the Club. Further details on the Club’s key functions of risk management, compliance, internal audit and actuarial are included in sections B.3 to B.6.

The TTB and TTI Boards (the “Boards”) are supported by several committees.

B.1.1.1 Committee Structure

a. TTB Audit & Risk Committee (“TTB ARC”)

TTB ARC is responsible for monitoring the Club’s risk management system and risk profile against the Board’s risk appetite. The Committee oversees the risk function to ensure that risks are properly identified and assessed. It receives reports from the Risk Management Director in respect of new or emerging risks or changes to existing risks. TTB ARC also reviews the Own Solvency and Risk Assessment and recommends it for Board approval.

TTB ARC considers the internal control framework designed to mitigate identified risk and directs the internal audit function when assessing the effectiveness of these controls. TTB ARC also considers the internal audit plan, and receives internal and external audit reports.

b. TTI Audit & Risk Committee (“TTI ARC”)

TTI ARC performs the same duties for TTI that TTB ARC performs for the Group.

c. Nominations Committee

The Nominations Committee ensures that the Boards of TTB and TTI continue to be composed of suitably qualified and skilled individuals, including the appointment of specialist directors. It also makes recommendations to ensure that the Committees of the Boards of TTB and TTI are composed of individuals appropriate to the respective roles.

d. *Management Committee*

The Management Committee is a new committee of the TTB Board formed in June 2020 in order to comply with economic substance requirements in Bermuda. The role of the committee is to oversee the Club's quota share reinsurance agreement with TTI and to consider and approve where appropriate, the business strategy, the business plan and the Group Own Risk and Solvency Assessment. The Committee met on one occasion during 2021.

e. *Investment Committee*

The Investment Committee makes recommendations to the TTB Board in respect of the Investment Mandate at a consolidated level and reviews in detail the performance of the investment portfolio.

f. *TTB Discretions Committee*

The TTB Discretions Committee was established to exercise discretions vested on the Directors of TTB pursuant to the Club Wordings. This is in relation to coverage disputes with members. The TTB Discretions Committee comprises the Directors of TTB who are also Directors of TTI and the Deputy Chairman of TTB.

g. *TTI Discretions Committee*

The TTI Discretions Committee was established to exercise discretions vested on the Directors of TTI pursuant to the Club Wordings. This is in relation to coverage disputes with members. The TTI Discretions Committee comprises the non-executive Directors of TTI.

Material changes

There were no material changes to the Club's system of governance during 2021.

B.1.1.2 Outsourcing

As noted in B.1.1 the Club outsources all functions, including controlled functions, to the Managers. The management outsourcing has been structured in compliance with relevant regulatory obligations and subject to Management Agreements.

The Boards maintain an outsourcing policy which sets out the controls in place in relation to the Management Agreements and all other outsourcing arrangements.

The Managers provide a governance framework to facilitate delivery of the Club's Business Plan whilst managing risks in accordance with the Club's risk management framework. The Managers operate through several committees, all of which report to the TT Senior Management Committee. These committees include risk; reserving; underwriting management; claims; management; policy and wordings; data governance and IT.

Further detail on outsourcing is set out in section B.7.

B.1.1.3 Key Functions

a. *The Managers*

The Club has no employees and as such the Boards rely on the Managers for the day-to-day management duties of the Club. The functions and responsibilities of the Managers are set out in the Management Agreements between the Managers and TTB and TTI.

The Boards may delegate a wide range of powers, duties and discretions to the Managers on such terms as it sees fit. The Managers have two executive Directors on the Board of TTI.

b. *The Investment Managers*

Investment of the Clubs' funds is conducted by the Investment Managers in accordance with the Boards' Investment Policy and is subject to the Board's Investment Mandate and internal compliance procedures.

The functions and responsibilities of the Investment Managers are set out in the Management Agreements between the Investment Managers and the Clubs.

c. *Management Responsibilities Map*

The Club maintains a management responsibilities map that details the key Senior Manager Functions and Certified Functions. Per the management responsibilities map, the following functions are maintained with a prescribed set of responsibilities.

For TTI these are performed by:

- Chairman (Board)
- Chief Executive Officer (Managers)
- Chief Financial Officer (Managers)
- Chairman of Audit & Risk Committee (Board)
- Chief Actuary (Managers)
- Chief Risk Officer (Managers)
- Chief Underwriting officer (Managers)
- Claims Director (Managers)
- Chief Investment Officer (Managers)
- Compliance Officer (Managers)
- Head of Internal Audit (Managers)
- Chief Operating Officer (Managers)
- Group Entity Senior Manager/Deputy Chairman (Board)

B.1.2 Remuneration

Since the management of the Club is outsourced to the Managers, all employees are employed by the Managers.

In accordance with the Management Agreements, the Club pays a single management fee to the Managers for the services they provide. This management fee covers the Board approved budgeted costs of managing the Club, a fixed profit element and incentive fee based on the Club's overall net result. The basis of the management fee is agreed by the Board and reviewed periodically.

The Managers are responsible for executive recruitment and performance management, ensuring that all staff have and maintain the relevant skills, knowledge and expertise necessary to perform their roles and responsibilities.

The Managers operate a formal performance and merit based remuneration policy aimed at paying competitive and appropriate remuneration, consistent with the long term interests of the business.

B.1.3 Related party transactions

The Club has no share capital and is controlled by the Members who are also policyholders. All of the policyholder Directors are representatives of Member companies and other than the insurance, which is arranged on an arm's length basis between the Member companies and the Club, the Directors have no financial interests in the Club.

B.1.4 Adequacy of the system of governance

The Directors consider the system to be adequate given the nature, scale and complexity of the risks inherent to the Club.

B.1.5 Reporting lines and responsibilities

The reporting lines for the Senior Management team are as follows:

Individual reference number (IRN)	Name	Regulatory status	Reporting line
CEF01034	Charles Edward Fenton	Chief Executive Officer	Chair
ESC01019	Ehsan Saif Chowdhury	Chief Financial Officer	CEO
KXK11403	Kevin King	Chief Operating Officer **SMF 24 (PRA)**	CEO
RXK09298	Robert Kempkens	Claims key function **SMF18 (Other overall responsibility, FCA)**	CEO
DJL01289	David John Lumby	Chief Underwriting Officer function **SMF 23 (PRA)**	CEO
IGR01012	Ian Gary Rosenthal	Compliance oversight **SMF 16 (FCA)** Compliance key function (PRA) Chief Risk Officer **SMF 4 (PRA)** *PR T-2*	Chair Audit & Risk Committee (and CFO for administration purposes)
PXP10720	Pritti Patel	Chief Actuary **SMF 20 (PRA)**	CEO
Pending Approval	Kevin Blunsum	Chief Technology Officer **SMF 24 (PRA)**	CEO
Pending Approval	Angela Holder-Holdsworth	Head of Internal Audit **SMF 5 (PRA)**	Chair Audit & Risk Committee
MXC07177	Mike Carroll	Money Laundering Reporting Officer **SMF 17 (FCA)**	CEO

B.1.6. Board remuneration

Directors are paid an annual fee and an attendance fee for each meeting. There are no variable components to the Directors' remuneration.

The following table summarises the remuneration received by General Non-Executive Directors.

	Meeting attendance per day	Annual fee
TTI	-	£40,000
TTB	US$2,800	US$2,500

Specialist Directors receive an annual fixed fee of £45,000 and no attendance fees. Deputy Chairman receive an annual fixed fee of £45,000. The TTB Bermuda resident Director receives an annual fee of US$10,000 plus a meeting attendance fee of US$2,800 per day. The Chairman receives a fixed fee of £90,000 and no attendance fees. Executive Directors who are employed by the Managers are not entitled to Directors' fees.

B.2. Fit and Proper Requirements

The Club has in place a Fit & Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the Club. Further details of the Clubs' governance structure is set out above in sections B.1.1.3 and B.1.5.

The Fit & Proper Policy is reviewed annually and is approved by the Boards. It is owned by the Chief Executive Officer and incorporates the requirements of the Senior Managers & Certification Regime (SM&CR). The policy applies to:

- Directors;
- Senior executives who effectively run the Club, comprising Senior Manager Functions approved under SM&CR; and
- Persons responsible for key functions, being those approved and certified under SM&CR.

B.2.1 Fitness

All persons within the scope of the Fit & Proper Policy must have professional qualifications where applicable, knowledge and experience, and demonstrate the sound judgement necessary to discharge their areas of responsibility competently. This applies both at the time of their appointment or employment and on a continuous basis to meet the changing or increasing requirements of their particular responsibilities and the business in general.

The level of fitness must be appropriate and proportionate to each person's role, tasks and responsibilities.

a. The Directors

In addition to individual Directors meeting their respective Fitness requirements, the Boards are to be composed in a way to ensure that their members collectively possess and continue to possess sufficient knowledge, competence and experience of:

(i) the insurance and financial markets in which the Club operates;
(ii) the Club's business model and business strategy;
(iii) the Club's system of governance;
(iv) the financial and actuarial analysis of the Club's data; and
(v) the regulatory frameworks and requirements under which the Club operate.

b. Executive Management

The Managers maintain role specifications for all executive roles that are within the

scope of this Policy which detail the key competencies and duties for each position. All persons to whom this Policy applies are required to have the appropriate and designated competencies for their positions.
The SM&CR rules do not require specific qualifications for persons engaged by the Club (as it is a wholesale general insurer), but these may nonetheless be required to fulfil a particular role.

B.2.2 Propriety

All persons who are within the scope of the Policy are subject to a propriety assessment. This includes consideration of that person's character, personal behaviour and business conduct including any criminal, financial, supervisory aspects regardless of location.

The assessment includes any relevant evidence such as:

- criminal offences, including offences under the laws governing insurance activity, fraud or financial crime;
- disciplinary or administrative offences under legislation relating to companies, bankruptcy, insolvency or consumer protection;
- current investigations or enforcement actions by any relevant regulatory or professional body for non-compliance with any relevant provisions; and any other criminal offences that cast doubt on the integrity of the person.

B.2.3 Approach to assessment

All persons who are within the scope of the Policy are assessed against individual and collective Fitness requirements and Propriety standards. The purpose of the fit and proper assessment is to ensure that the person who is holding or may hold a position:

- has the qualities to perform their duties (competence, character, diligence, honesty, integrity and judgement);
- does not have a conflict of interest or avoids, to the extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest; and
- is not otherwise disqualified from holding the position.

Fitness includes an assessment of the person's management and/or technical competences required for the role based on qualifications, knowledge, experience and the demonstration of due skill, care, diligence and compliance with relevant standards (as applicable).

Propriety includes an assessment of the persons' reputation and past conduct.

B.3. Risk Management System Including the ORSA

B.3.1 Overview

The Clubs have established a robust risk management system appropriate for the risks to which the business is or could be exposed.

The Clubs' risk management system provides an integrated approach to risk management and the application of the three lines of defence:

- First line of defence: business units and all staff not included in the second and third lines of defence, process and risk owners, overseen by the Boards
- Second line of defence: risk management and compliance functions, overseen by the Audit & Risk Committees and the Boards
- Third line of defence: internal audit, overseen by the Audit & Risk Committees and the Boards

The overall risk management system includes:

- a clearly defined and well-documented risk management strategy;
- appropriate processes and procedures;
- appropriate reporting procedures;
- reports on the material risks faced by the Club and on the effectiveness of the risk management system; and
- policies or frameworks (see section B.3.2 below)

The risk management system maintains a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities will be exercised.

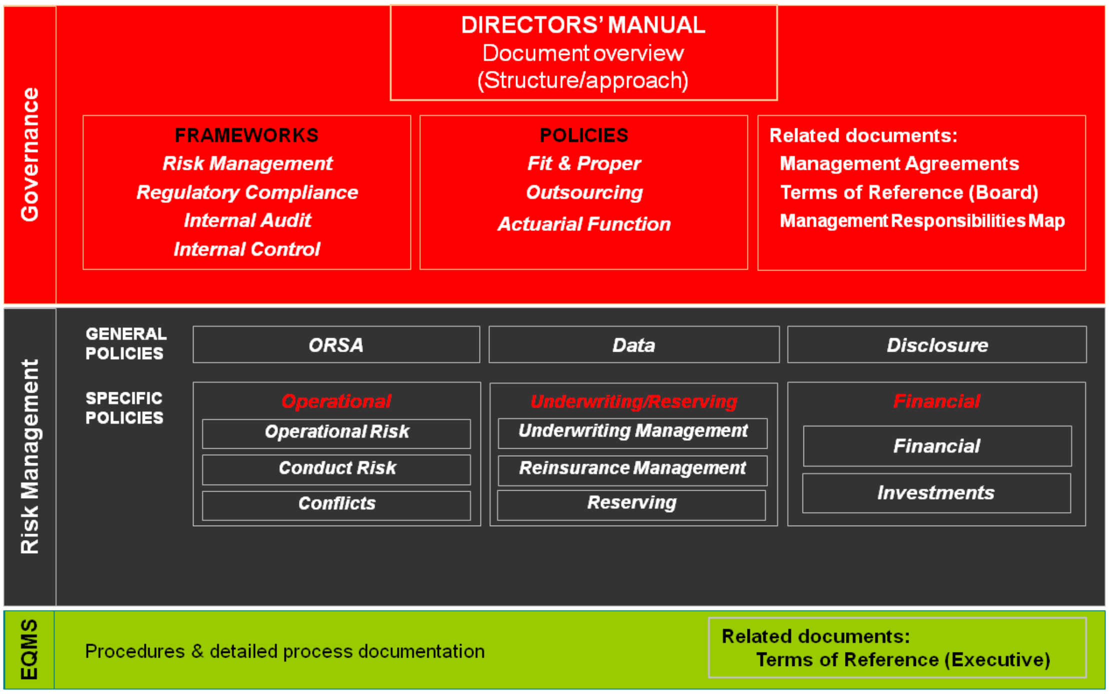
The core elements of the risk management system are set out in the following sections.

B.3.2 Risk Policies

The risk policies define the Club's approach to the risk universe inherent in the business and establish the controls, procedures, limits and escalation to ensure that the risks are managed in line with the risk appetite.

A depiction of the structure of the Clubs' governance and risk documentation is as follows:

TT Club Governance & Risk documentation matrix



“EQMS” is the Managers’ Electronic Quality Management System which holds all the Club’s process documents.

The governance and risk documentation is reviewed at least annually, and amendments approved as required by the Audit & Risk Committees and the Boards. The Risk Management Framework is central and describes key aspects of the risk management process implemented by the Club to provide reasonable assurance regarding the achievement of its business plan objectives and identifies the main review and reporting procedures. It is further supported by policies covering individual risk categories and the Club’s Internal Control Framework.

B.3.3 Risk Appetites

Risk appetites are used to define the amount of risk that the Club is willing to accept in pursuit of value. The Boards determine the appropriate risk appetites aligned to the Club’s business plan objectives. The high-level Risk Appetite Statements are reviewed as part of the business planning process and set out in the business plan.

The Risk Appetite Statements are owned by the Boards and reviewed on a regular basis as new risks emerge, and at least annually. The statements articulate the key risks arising from the Club’s strategic objectives and the targets and tolerances in respect of the operations of the business in pursuit of these targets.

Performance against the risk appetite statements is reviewed by the Boards as part of the financial planning item at each meeting, using data to support decision-making processes. Reporting mechanisms ensure that the Boards are aware of movements, exceptions and breaches in relation to risk appetite statements.

Consideration of new or modified initiatives and business plan objectives is made in the context of the existing risk appetite statements.

The Audit & Risk Committees support the Boards by providing oversight of the Risk Management Function. The Risk Management Director in conjunction with the Managers’ Executive Risk Committee fulfils the role of the Club’s Risk Management Function and oversees risk management, provides independent challenge, and has direct access to the Chairmen of the Audit & Risk Committees.

B.3.4 Risk Log

Risks to the business that could inhibit the Club achieving its objectives are described and categorised in the Club’s Risk Log, together with the consequences should a risk materialise. Potential root causes of the risk materialising as well as mitigation and controls implemented to prevent, detect or mitigate are listed alongside. The risks are assessed and monitored on an ongoing basis.

The list of risks included in the Risk Log has been compiled by the Boards and senior management of the Club based on their experience and expert judgement in running the business. These comprise the universe of risks faced by the business which, individually or in combination, may have a material impact on the Club.

A separate Emerging Risk Log is maintained and reviewed regularly; if any such risk materialises, it is added to the Risk Log and its impact on the Club assessed. Where necessary, scenario testing is conducted to understand the impact of the emerging risk.

Individual risks are allocated to Risk Owners within the Senior Management Team. The Risk Owners are the Chief Executive Officer, Chief Operating Officer, Finance Director, Underwriting Director and Claims Director.

In order to maintain an accurate register of the risks the Club faces or may face in the future, the Risk Owners monitor internal and external data feeds and information for emerging risks and deterioration of or change in risks already identified.

Their findings are reported to, and reviewed by, the Risk Management Director for inclusion in the Risk Log as appropriate. The Risk Management Director reports all proposed changes to the Audit & Risk Committees who then make an assessment and recommendation to the Boards for approval.

Internal loss events and near misses are reported to the Risk Management Director who reports such events to the Managers' Executive Risk Committee. Any matters of significance are then reported to the Audit & Risk Committees, and monitored for correlations, trends and contagion.

The Risk Log is reviewed regularly by the Managers and at least annually by the Audit & Risk Committees and submitted for approval by the Boards.

Risks identified in the Risk Log are categorised as follows:

- Strategic
- Underwriting/Reserving
- Financial
- Operational
- Regulatory compliance

All risks on the Risk Log are assessed on an ongoing basis and at least annually by the Managers and by the Audit & Risk Committees.

B.3.5 Own Risk and Solvency Assessment ("ORSA")

The Club prepares an ORSA overview report at least once each year. The ORSA is the process used by the Club to manage its financial and solvency position over the period of its Business Plan. The ORSA overview report provides a summary of this process and is approved by the Boards. As such, it is an intrinsic part of the Club's business planning process.

The key elements of the ORSA process are:

- An analysis of the Club's recent performance
- Assessment of the Club's risk profile
- Consideration of business planning and stress scenarios

The Audit & Risk Committees review the ORSA and recommend it for approval and use by the Boards.

The Boards review the ORSA and consider appropriate action such as:

- Capital related decisions
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions
- Analysing key business decisions
- Assessing the effectiveness of reinsurance

The assessments to date indicate that the Club is sufficiently capitalised.

B.4. Internal Control System

Internal control is defined as a continually operating process effected by the Boards, the Audit & Risk Committees, the Managers, all staff and systems and designed to support the Club in achieving its Business Plan objectives through efficient and effective operations and to protect its resources.

Each Risk Owner is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

B.4.1 Control activities

Control activities are the actions taken or systems put in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed. The control activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

The nature of the controls implemented and the level of control exercised are based on the assessment of frequency and impact of the risk, the Club's risk appetite and the cost of implementing controls relative to the significance of the risk.

The following controls are examples of the internal control framework:

- Policies and procedures
- Management information
- System embedded controls
- Premises and System security
- Segregation of duties
- Management review
- Information processing
- Validation and reconciliation
- Recruitment, performance management and training
- Contingency plans

The Internal Control Framework as a whole and internal control processes individually are monitored on an ongoing basis through the following mechanisms:

- Performance indicators
- External data
- Analyses and reconciliations
- Regulatory compliance monitoring audits
- Internal audits
- Procedure monitoring audits

Reports are made to the Audit & Risk Committees and the Club's Boards evaluating the design and operational effectiveness of the Internal Control Framework, processes and procedures on an ongoing basis, following up on deficiencies and advising on areas for improvement.

B.4.2 Control environment

The Managers are responsible for establishing and maintaining an effective control environment throughout the organisation. In furtherance of that, there is a culture which values the highest levels of integrity in the staff, together with openness and honesty in relation to the conduct and reporting of all activities. Policies, procedures and processes are designed to define and support effective, efficient and appropriate activities at every level of the business.

In order to help ensure that the Club's business plan is achieved or surpassed when the opportunity arises, risks are considered and assessed on a regular basis and proportionate and cost-effective controls put in place to prevent, detect and mitigate crystallisation or to maximise opportunities when they occur. The Internal Audit function considers and tests these as part of its rolling audit plan (see section B.5 below).

Reporting procedures ensure that information relating to regulatory compliance risk is reported through the business. Management Information is actively monitored and assessed by the Compliance Function, the Senior Management Committee, the Audit & Risk Committees and the Boards.

B.4.3 Compliance function

The Compliance Function reports regularly to the Senior Management Committee and to the Audit & Risk Committees in order to identify, assess, monitor, report and manage the regulatory compliance requirements and risks to which the Club is exposed.
The Audit & Risk Committees will seek assurance and provide, through the processes set out in the Regulatory Compliance Framework or through internal audit, assurance to the Boards that the scope and quality of the Managers' compliance monitoring and reporting on regulatory compliance are sufficient to ensure the effectiveness of this framework and of the management of regulatory compliance risk. All reviews are carried out at least annually and ad hoc as circumstances require.

The Compliance Function advises on and promotes compliance with applicable laws, regulatory requirements and administrative provisions and coordinates and monitors implementation of policies, processes and procedures to achieve compliance across the business, and manages regulatory compliance risk.

Regulatory developments are monitored for impact on the Club by the Compliance function. Any amended or new regulations that have a material impact on the Club are recorded in the Regulatory Compliance Manual. Monitoring consists of checks to ensure that required actions are being/have been taken and that policies, processes and procedures are being complied with. The results are logged, reported on to stakeholders and remedial action agreed and implemented as appropriate.

Breaches and associated remedial action are posted to the Operational Risk Database. The Compliance Function will alert any regulatory breach, including where applicable, the cause, effect and recommended remedial action, to the Managers' Risk Committee which will approve the remedial action. Material breaches and breaches that must be reported to regulators on a mandatory basis will be reported to the Audit & Risk Committees and the Boards.

B.5. Internal Audit Function

Internal Audit is the "third line of defence" in a company's internal control framework, established to provide independent assurance that the business controls set up by management ("first line") and the monitoring and oversight provided by the Risk Management and Compliance Functions ("second line") are working effectively.

The objectives of the Internal Audit Function are to provide assurance that business risks are recognised and are being well managed and controlled by effective systems and controls.

The internal audit function is provided by the Managers but the majority of audits are performed by a professional firm able to access the necessary variety of skills.

B.5.1 Independence

The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business.

B.5.2 Development of plans

A dynamic three year rolling plan of audit reviews is developed for and approved by the Audit & Risk Committees. The plan is reviewed, reassessed and reapproved on at least an annual basis by the Audit & Risk Committees in order to ensure that it remains consistent with proposed and/or actual changes in business strategies, new developments and/or plans, as well as changes in risk profile and emerging risks.

B.5.3 Planning

The Internal Audit Function prepares an Audit Planning Memorandum ("APM") for each audit, including a budget based on the time required for the audit, with input from management, any third party contractor and the Audit & Risk Committees. Once agreed, the APM forms the basis of the review to be performed.

B.5.4 Execution & Reporting

The audit team is responsible for conducting the fieldwork investigation and testing with assistance from the Internal Audit Function on request. The Internal Audit Function will discuss any findings as they arise with management to ensure that any misunderstandings or queries are dealt with as soon as possible.

B.6. Actuarial Function

The Boards are ultimately responsible for ensuring an effective Actuarial Function. This function is performed by the Thomas Miller Actuarial Team, led by its Chief Actuary.

The Actuarial Function is independent of the Club's management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Club's internal control system through its role on the Managers' committees and attendance at Board meetings.

The Actuarial Function undertakes all responsibilities as required by Solvency II, including:

- coordinating the calculation of technical provisions, ensuring they are reliable and appropriate;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- expressing an opinion on the Club's overall Underwriting Mandate and on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system including capital requirements and the ORSA process.

The Clubs' Actuarial Function compiles an Actuarial Function report for the Boards on at least an annual basis.

B.7. Outsourcing

Reference is made to sections B.1.1 and B.1.1.2 in relation to the Club's outsourcing policy, and the controls in place in relation to the Management Agreements and all other outsourcing arrangements. The remainder of the Outsourcing Policy is directed at services or activities which are particularly important or critical to the Club's business (material business activities).

Material business activities include the key functions of the Club's system of governance, i.e. Risk Management, Compliance, Actuarial and Internal Audit as applicable, and all functions or activities that are fundamental to enable the Club to carry out its core business, including underwriting, claims handling and investments.

A material business activity is one that has the potential, if disrupted, to have a significant impact on the Club's business operations or its ability to manage risks effectively.

The Club has offices in the United Kingdom, Hong Kong, Singapore, Australia and the United States of America, to which all outsourcing arrangements apply.

B.7.1 Management outsourcing

The Club has no internal executive function and its management is wholly outsourced to Through Transport Mutual Services (UK) Limited and Thomas Miller (Bermuda) Limited (the "Managers") under Management Agreements.

In order to comply with its regulatory obligations, the Boards have developed monitoring and reporting procedures and have delegated to the Audit & Risk Committees to monitor internal controls and risk. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the Management Agreements. The Committees report to the Boards.

B.7.2 Investment management outsourcing

Management of the Clubs' investments is outsourced to Thomas Miller Investment Limited and Thomas Miller Investment (IOM) Limited, which are part of the Thomas Miller group, under investment management agreements.

The performance of the investment managers is monitored and supervised by the Boards and the Investment Committee.

B.7.3 Internal audit outsourcing

The Club's internal audit function is outsourced to Thomas Miller Internal Audit. Internal Audit is supervised by the Audit & Risk Committees and the Boards.

B.7.4 Oversight

The Boards bear ultimate responsibility for outsourced functions, services, or activities and related governance. The Boards are supported by the Audit & Risk Committees which review outsourcing arrangements and the Managers' Senior Management Committee which monitors the activities of the business, including outsourcing.

B.8. Any Other Information

The Club considers there is no further material information to be disclosed.

C. Risk Profile

The key areas of risk impacting the Club can be classified as follows:

1. Insurance risk – incorporating underwriting and reserving risk
2. Market risk – incorporating investment risk, interest rate risk and currency rate risk
3. Credit risk – being the risk that a counterparty is unable to pay amounts in full when due
4. Liquidity risk – being the risk that cash may not be available to pay obligations as they fall due
5. Operational risk – being the risk of failure of internal processes or controls.

The Boards have established risk appetites in relation to the Club's business strategy and available resources. The Boards seek to maximise its resource efficiency by effective risk management techniques. Therefore a risk management system has been developed to identify and mitigate risk.

Section E.2. includes a breakdown of TTI's Solvency Capital Requirement by risk type.

C.1. Underwriting Risk

The Club is a marine aviation and transport insurer, underwriting only transport and logistics risks.

Underwriting risk is the risk that the Club's net insurance obligations (i.e. claims less premiums) are different to expectations. The Club considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed in accordance with the Club's reserving policy. The Club 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. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by management and the Audit & Risk Committees.

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

Premium risk is managed in accordance with an underwriting management policy which establishes robust underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach undertaken as part of the Club's ORSA process.

Underwriting risk is most sensitive to an increase in expected claims costs. For example, a 1% increase in TTI's net outstanding claims would reduce its accounting surplus by US$0.282 million. A 1% decrease would have an equal, but opposite effect. This 1% change in net outstanding claims is equivalent to 1% of the SCR. The key risk mitigation in relation to underwriting risk is TTI's reinsurance programme and in particular its reinsurance with TTB (see section A.2.1). Given the reinsurance programme in place with TTB, TTI has a lower exposure to underwriting risk and, as a consequence, sensitivity to this risk.

C.2. Market Risk

Market risk arises through fluctuations in market valuations, interest rates, corporate bond spreads and foreign currency exchange rates. Such movements will affect not only the Club's investments, but also the value of other assets and liabilities such as premium income, claims payments and reinsurance recoveries.

The Club has an Investment Mandate in place to manage exposure to its investments, and this is monitored by regular reports from the Investment Managers. Further discussion of this arrangement is provided below under the "prudent person principle".

The prudent person principle
Under the Club's Investment Policy, all investments are invested and managed in accordance with the 'prudent person principle', meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims.

The assets are invested on the following basis:

- only in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- in such a manner as to ensure the security, quality and liquidity of the portfolio as a whole;
- in a manner appropriate to the nature, currency and duration of the Club's insurance liabilities;
- the use of derivative instruments are possible insofar as they contribute to a reduction of risks or efficient portfolio management;
- investments and assets which are not admitted to trading on a regulated financial market are kept to Risk Appetite levels;
- properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.

The Club's funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the Club's investment assets in conformity with the business and investment objectives and sets the parameters within which the Club's assets may be invested. It is considered and approved by the Boards on an annual basis and ad hoc as required and is subject to the Club's Investment Policy. The Investment Managers report to the TTB and TTI Boards at each meeting.

C.3. Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The Club's objective is to reduce credit risk through the risk management techniques discussed below.

The Club is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Boards consider the financial position of significant counterparties on a regular basis, the Senior Management Committee monitors aggregate exposure to each reinsurer and the Club has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A-" at the time the contract is made.

Amounts due from Members represents premium owing to the Club in respect of insurance business written. The Club manages the risk of Member default through a screening process to ensure the quality of new entrants to the Club and the ability to cancel cover and outstanding claims to Members that fail to settle amounts payable. The Club limits its reliance on any single Member.

Exposure to bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

C.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Club has adopted an investment policy which requires the maintenance of significant holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short term cash needs are monitored to ensure the most efficient investment of cash balances.

The amount of expected profits included in future premium as per the Solvency II Own Funds - Appendix S.23 .01.01 is US$38.0 million.

C.5. Operational Risk

Operational Risk is defined as direct or indirect losses arising from inadequate or failed internal processes, personnel or systems, or from external events. The Club has established an Operational Risk Policy that sets out the processes and controls in place in the business.

Mitigation of these risks is managed in the following generic ways:

- Processes are documented, training provided and functional reviews carried out to ensure compliance.
- Procedures are in place to manage recruitment, training and appraisal of all staff. Outsourced service providers are also managed through the use of reviews and management information relating to their performance of operational tasks.
- Applications used in business processes contain relevant mandatory fields, pre-defined reference data, validation and conditional inputs.
- Consideration of external events, including reports of loss/near miss events to which the business could be exposed and emerging risks.

Furthermore, potential internal loss/near miss events are captured and recorded in the minutes of regular regional/ functional meetings. Risk-based reports, including any potential loss/near miss events identified, are prepared by Risk Owners and functional heads for review and consideration by the Executive Risk Committee.

C.6. Other Material Risks

The Club has not identified any other material risk that it considers necessary for disclosure.

During 2021 the Directors reviewed the impact of climate change on the Club as part of its Own Risk and Solvency Assessment process. This involved producing a scenario to model the impact of climate change on the Club's underwriting and investment performance. The scenario included an increase in the frequency of large property losses from windstorms, increased reinsurance costs and a fall in investment return. The Club continues to develop its approach to the management of climate related-financial risks.

C.7. Any Other Information

TTI has not identified any other material information that it considers necessary for disclosure.

D. Valuation for Solvency Purposes

A basic principle of Solvency II is that assets and liabilities are valued on the basis of their economic value. This is the price which an independent party would pay or receive for acquiring the assets or liabilities. The value of the assets less the value of the liabilities is then taken as the starting point for determining the available own funds.

Most of the significant valuation differences between the Solvency II balance sheet and the accounting balance sheet relate to the valuation of insurance liabilities ("technical provisions") and reallocation of insurance related balances to technical provisions.

A summary of the Solvency II balance sheet for TTI as at 31 December 2021 compared with the UK GAAP financial statements balance sheet is shown below.

Assets	**2021 Solvency II basis US$000s**	**2021 GAAP basis US$000s**	**2020 Solvency II basis US$000s**	**2020 GAAP basis US$000s**
Investments and cash	201,005	201,005	168,628	168,629
Insurance and intermediaries / reinsurance receivables	11,861	71,338	13,005	60,887
Reinsurance recoverables	277,809	409,631	240,550	347,828
Other	1,047	1,047	1,827	1,825
	491,722	683,021	424,010	579,169
Liabilities				
Technical provisions	328,016	451,410	283,898	384,319
Insurance and intermediaries/ Reinsurance payables	88,209	159,091	57,053	118,071
Payables (trade not insurance)	2,497	2,497	2,371	2,371
Other	3,401	3,401	4,895	4,895
	422,123	616,399	348,217	509,656
Own funds / surplus and reserves	69,599	66,622	75,792	69,513

The Solvency II balance sheet is presented in S.02.01.02

D.1. Assets

Investments and cash

Assets including all of the investments of TTI are classified as fair value through the profit and loss.

Investments are included in the Balance Sheet at market value translated at year end rates of exchange. The market value of listed investments is based on current bid prices as at the balance sheet date.

The costs of investments denominated in currencies other than US dollars are translated into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the Income Statement 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.

Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as identical instrument prices and independent valuation reports.

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

All of TTI's investments consist of government and corporate bonds which are traded in active markets. TTI also holds cash and UCITs (Undertakings for Collective Investments of Transferable Securities). The latter is held as an alternative to short term cash deposits. These are short term, highly liquid investments that can be readily converted to cash.

There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

Insurance and intermediaries receivables
These represent balances that are due for existing insurance contracts. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value. These balances are reviewed for impairment and a provision is created against any balance that may be impaired.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions.

Under the UK GAAP requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Reinsurance receivables
These amounts are balances that are due to be recovered from existing reinsurance arrangements over the short-term. Little to no uncertainty exists as to the timing or amount of the recovery. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value.
If required, TTI makes allowance for expected credit default of reinsurance counterparties. Currently no such allowances are made.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions. All items due for payment are shown as a line item on the face of the Solvency II balance sheet.

Under the UK GAAP requirements, all amounts, whether due or not yet due, are shown as a separate line item on the face of the balance sheet.

Other
This balance includes sundry short term receivable balances, the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value. There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

Note: Reinsurance recoverables is discussed within D.2. Technical Provisions section below

D.2.Technical Provisions

The tables below show the Solvency II technical provisions by line of business for 2021 and 2020:

2021	**Motor vehicle liability Insurance $000s**	**Marine, aviation and transport Insurance $000s**	**Fire and other damage to property Insurance $000s**	**General Insurance $000s**	**Total $000s**
Gross technical provision (including risk margin)	**11,319**	**139,580**	**2,068**	**175,049**	**328,016**
Reinsurance technical provision	**12,267**	**121,981**	**52**	**143,509**	**277,809**

2020	Motor vehicle liability Insurance $000s	Marine, aviation and transport Insurance $000s	Fire and other damage to property Insurance $000s	General Insurance $000s	Total $000s
Gross technical provision (including risk margin)	8,096	122,697	1,822	151,283	283,898
Reinsurance technical provision	9,501	108,679	(585)	122,955	240,550

The technical provisions are valued using the methodology prescribed by the Solvency II Directive and associated regulations. They consist of a "best estimate" of future cash flows (claims, premiums and expenses), which are discounted in line with risk-free interest rates to give the "present value" of those cash flows. Finally, a "risk margin" is added to take the total to a notional market value (i.e. equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations).

The "best estimate" is made up of two key elements:

- The "claims provision", which relates to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not.

- The "premium provision" which relates to future claim events covered by insurance policies which are already bound (i.e. a contract already exists between the Club and its policyholders) by the valuation date. This includes both the unexpired portion of existing policies and the policies which are bound but for which the policy has not yet incepted.

Standard actuarial techniques are used to project claims cash flows including chain ladder and Bornhuetter-Ferguson methods. The key assumptions relate to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of the Club and its claims handling processes. Allowance is also made for claims relating to the premium provision. These are valued using the Club's business plan. The future claims cash flows are the most uncertain element of the technical provisions. The uncertainty involved was discussed in Section C.1. on Underwriting Risk. The main sources that give rise to the uncertainty of future claims cash flows are as follows:

- changes in development patterns and average settlements for bodily injury claims, given their long tail nature;

- changes in the number and severity of large claims (above US$ 250,000) as these tend to be more infrequent and therefore more volatile; and

- changes in the economic environment.

The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a prescribed cost-of-capital rate of 6% per annum. This calculation is based on the assumption that a "reference undertaking" takes on the insurance obligations (and associated reinsurance arrangements). The SCRs in future time periods have been assumed to be directly proportional to the best estimate claims liabilities net of reinsurance recoverables at those points in time.

A reconciliation of UK GAAP technical provisions to Solvency II technical provisions and a line by line explanation is included below.

2021	*Notes*	**Gross US$000s**	**Reinsurance US$000s**	**Net US$000s**
GAAP technical provisions (including UPR)		**451,411**	**409,632**	**41,779**
Eliminate contingency margin	1	(35,810)	(32,924)	(2,886)
Eliminate unearned premium provision	2	(91,352)	(77,744)	(13,608)
Reallocate amounts not yet due	3	(51,335)	(70,882)	19,547
Adjustment to expense management reserve	4	9,727	-	9,727
Premium provision premium amounts	5	(85,413)	(57,750)	(27,663)
Premium provision claim and expense amounts	5	128,827	109,918	18,909
Reinsurance counterparty default adjustment	6	-	(258)	258
ENID adjustment	7	4,863	4,484	379
Other			30	(30)
Effects of discounting	8	(7,828)	(6,697)	(1,131)
Solvency II technical provisions before risk margin		**323,090**	**277,809**	**45,281**
Risk Margin	1	4,926	-	4,926
Total Solvency II technical provisions		**328,016**	**277,809**	**50,207**

Notes

1. Contingency margin and Solvency II risk margin
Since the Solvency II technical provisions figure is a best estimate, margins for prudence are removed under the Solvency II valuation methodology. The Solvency II risk margin is intended to represent a notional market value adjustment as discussed above.

2. Unearned premium
The Solvency II balance sheet contains no concept of deferral of premium, and as such any such balances are eliminated upon transition to the Solvency II balance sheet. These balances are replaced by a provision for future cash flows expected on unexpired business as further discussed in 5 below.

3. Reallocation of amounts not yet due
Under Solvency II valuation methodologies, all future cash flows are included in the calculation of technical provisions. More specifically, any amount not yet due shall be included as a future cash inflow under the calculation of Solvency II technical provisions. As a result, these amounts are removed from the UK GAAP balance sheet and included in the technical provisions calculation on the Solvency II balance sheet.

4. Adjustment to expense reserve
Unlike UK GAAP, Solvency II recognises all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is necessary.

5. Provision for unexpired contracts and contracts bound but not incepted
Solvency II valuation methodology requires an insurer to estimate the cash flows on future coverage that the insurer will provide. This includes the unexpired portion of existing contracts and contracts that have been bound, but for which coverage has not yet incepted. These contracts are to be recognised when the insurer becomes party to the contract which is usually when the contract between undertaking and policyholder is legally formalised. All of these amounts are recognised under premium provisions and include unexpired amounts not yet due previously recognised on the UK GAAP balance sheet as debtors or creditors.

6. Reinsurance counterparty default adjustment
For the Solvency II balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to counterparty default. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under the UK GAAP bases a provision for bad debts is only made where there is objective evidence that a counterparty may default on its obligation.

7. Events not in Data ('ENID') adjustment
Solvency II requires that all possible outcomes are allowed for when setting the technical provisions. Therefore, an additional provision needs to be made for "events not in data", i.e. potential adverse claims outcomes that have not been observed to date and hence are taken into account in assessing the UK GAAP claims provisions.

8. Effects of discounting
Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates.

The matching adjustment, volatility adjustment and transitional provisions have not been used.

Appendix S.17.01.02 shows full details of TTI technical provisions as reported in TTI's annual QRT reports.

D.3. Other liabilities

Reinsurance payables
These represent balances that are due to be paid for existing reinsurance contracts.

When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under the UK GAAP requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Payables (trade, not insurance)
These balances include sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

Any other liabilities not elsewhere shown
These include mainly sundry debtors and accruals.

There are no material differences between the valuation under Solvency II purposes and the valuation under UK GAAP, as reflected in TTI's financial statements.

D.4. Alternative methods of valuation

TTI does not utilise any alternative methods of valuation.

D.5. Any other information

TTI has not identified any other information that it considers material to be disclosed.

E. Capital Management

E.1 Own funds

As a mutual insurance company with no share capital TTI's own funds consist only of its accumulated surplus and reserves and reconciliation reserve, which are fully unrestricted and meet all the requirements of Tier 1 capital and count as Basic Own Funds. These funds may be fully utilised to meet both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

TTI's solvency coverage of the SCR and MCR as at 31 December 2021 is shown in the table below.

	2021 US$000s	2020 US$000s
Eligible own funds	**69,599**	**75,792**
SCR	44,941	42,765
Excess over SCR	24,657	33,027
Ratio of eligible own funds to SCR	155%	177%
Eligible own funds	**69,599**	**75,792**
MCR	11,235	10,691
Excess over MCR	58,364	65,101
Ratio of eligible own funds to MCR	619%	709%

Appendix S.23.01.01 shows full details of own funds as reported in the TTI's annual QRT reports.

The below table shows a reconciliation of UK GAAP equity reserves to Solvency II basic own funds.

	2021 US$000s	2020 US$000s
GAAP surplus and reserves	**66,622**	**69,513**
Solvency II gross technical provisions adjustment	123,395	100,420
Of which - Reallocation of amounts not yet due	(51,336)	(40,333)
Solvency II RI technical provisions adjustment	(131,823)	(107,278)
Of which - Reallocation of amounts not yet due	70,882	61,018
Net technical provisions adjustment	**11,118**	**13,827**
Eliminate deferred acquisition costs	(8,141)	(7,548)
Total Solvency II basic own funds	**69,599**	**75,792**

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions. Refer to D.2. for a discussion of the differences between the bases.
TTI's capital management objective is to maintain sufficient capital resources to exceed its SCR such that the probability of falling below its SCR is less than 10% (1 in 10) over one year, ignoring management actions. This objective is defined in TTI's capital risk appetite statement.

At a consolidated level the Club's overall capital management objective is to maintain sufficient capital resources such that the probability of breaching the Club's AM Best minimum capital requirement for an A- rating is less than 10% (1 in 10) over one year, ignoring management actions.

The forecasts for both TTI's and the Club's capital are prepared over a three year planning horizon with the current Business Plan covering the period 2022-2024.

Both TTI and the Club met their capital management objectives as at 31 December 2021 and are forecasting to continue to meet them in the period 2022-2024.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below sets out the SCR results as at 31 December 2021 for TTI on a solo entity basis.

	2021 US$000s	2020 US$000s
Solvency Capital Requirement	**44,941**	**42,765**
Non-life Underwriting Risk	**17,650**	**17,445**
Premium & Reserve Risk	15,427	14,777
Catastrophe Risk	1,926	1,749
Lapse Risk	7,413	8,366
Diversification	(7,117)	(7,447)
Market Risk	**9,292**	**9,145**
Interest Rate Risk	2,460	96
Equity Risk	-	-
Property Risk	14	14
Spread Risk	192	211
Concentration Risk	30	-
Currency Risk	8,316	9,062
Diversification	(1,720)	(238)
Counterparty Default Risk	**18,632**	**17,911**
Type I	14,927	14,001
Type 2	4,606	4,830
Diversification	(901)	(920)
Operational Risk	**9,693**	**8,372**
Diversification	**(10,326)**	**(10,108)**
Eligible Own Funds	**69,599**	**75,792**
Tier 1	69,599	75,792
Tier 2	-	-
Capital Adequacy Ratio	**155%**	**177%**

As shown in the table, TTI has sufficient capital to meet its SCR as at 31 December 2021 with a capital adequacy ratio of 155%. This compared to a capital adequacy ratio of 177% as at 31 December 2020.

The reduction in the ratio is due to a combination of the reduction in eligible own funds and an increase in the SCR.

The reduction in eligible own funds is due to TTI's deficit in 2021 and the reduction in future year ceding commission on the quota share with TTB together with the impact of the increase in the expense reserve arising from the higher claims reserves.

The main risks that drive the SCR are underwriting risk and counterparty default risk. This is expected given that insurance is TTI's main activity. Also there is the additional counterparty default risk arising from the 90% quota share reinsurance arrangement with TTB.

The overall SCR has increased by US$ 2.2 million since last year. The increase in the SCR is driven by increases in counterparty default risk and operational risk.

The MCR for TTI as at 31 December 2021 is US$ 11.2 million. Therefore this capital requirement was met as at 31 December 2021.

Appendix S.25.01.21 and S.28.01.01 show full details on the MCR and SCR, including the inputs into these calculations, as reported in TTI's annual QRT reports.

The table below shows the inputs into the MCR calculation as at 31 December 2020 and 31 December 2021:

	31 Dec 2021	**Movement in 2021**	**31 Dec 2020**
	$000s	**$000s**	**$000s**
Absolute MCR	4,309	(19)	4,328
Linear MCR	9,737	748	8,989
SCR	44,941	2,176	42,765
Combined MCR	11,235	544	10,691
MCR	11,235	544	10,691

- Net (of reinsurance) written premiums in the last 12 months: US$ 39.5m
- Net (of reinsurance/SPV) best estimate and TP calculated as a whole: US$45.2m (Solvency II basis)

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This sub-module is not used by the TTI.

E.4 Differences between the standard formula and any internal model used

TTI uses the standard formula for its Solvency Capital Requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

TTI has fully complied with the SCR and MCR requirements during the period under review.

Refer to section E.1. for results of the SCR / MCR Calculations

E.6 Any other information

TTI considers there to be no other material information that should be disclosed.

F. Appendices

TT CLUB MUTUAL INSURANCE LIMITED

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in USD thousands)

General information

Undertaking name	TT CLUB MUTUAL INSURANCE LIMITED
Undertaking identification code	213800XMGISANRAGT477
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	49
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	163,621
R0080	*Property (other than for own use)*	54
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	160,932
R0140	*Government Bonds*	159,223
R0150	*Corporate Bonds*	1,708
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,636
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	277,809
R0280	*Non-life and health similar to non-life*	277,809
R0290	*Non-life excluding health*	277,809
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	8,199
R0370	Reinsurance receivables	3,662
R0380	Receivables (trade, not insurance)	85
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	37,269
R0420	Any other assets, not elsewhere shown	914
R0500	**Total assets**	491,607

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	328,016
R0520	*Technical provisions - non-life (excluding health)*	328,016
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	323,090
R0550	*Risk margin*	4,926
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	246
R0830	Reinsurance payables	87,964
R0840	Payables (trade, not insurance)	1,471
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	4,312
R0900	**Total liabilities**	422,008
R1000	**Excess of assets over liabilities**	69,599

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				9,359		92,877	23,232	44,886									170,354
R0120	Gross - Proportional reinsurance accepted				828		36,856	7,603	29,938									75,224
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				8,853		107,790	24,461	64,925									206,029
R0200	Net				1,333		21,942	6,373	9,900									39,549
	Premiums earned																	
R0210	Gross - Direct Business				9,201		91,902	22,320	46,845									170,267
R0220	Gross - Proportional reinsurance accepted				660		30,235	7,203	23,427									61,526
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				8,582		101,652	22,992	60,118									193,343
R0300	Net				1,279		20,485	6,531	10,155									38,450
	Claims incurred																	
R0310	Gross - Direct Business				8,985		58,947	12,683	41,311									121,925
R0320	Gross - Proportional reinsurance accepted				203		15,783	1,977	13,642									31,605
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				8,225		69,311	13,582	50,702									141,819
R0400	Net				963		5,418	1,078	4,251									11,710
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0		0	0	0									0
R0550	**Expenses incurred**				655		14,301	5,378	6,808									27,141
R1200	**Other expenses**																	3,741
R1300	**Total expenses**																	30,882

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			US	HK	RS	ES	AU	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	12,566	75,758	10,300	8,658	789	8,673	116,743
R0120	Gross - Proportional reinsurance accepted	24	18	7,426	2,439	6,961	4,267	21,135
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	10,563	63,573	14,871	9,309	6,501	10,856	115,673
R0200	Net	2,028	12,203	2,855	1,787	1,248	2,084	22,204
	Premiums earned							
R0210	Gross - Direct Business	11,718	71,800	12,839	8,146	3,056	8,803	116,361
R0220	Gross - Proportional reinsurance accepted	-32	35	4,338	1,983	4,708	3,199	14,231
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	9,788	59,919	15,280	9,613	5,857	11,422	111,879
R0300	Net	1,898	11,916	1,896	516	1,907	580	18,713
	Claims incurred							
R0310	Gross - Direct Business	7,074	32,858	8,482	2,584	4,463	9,545	65,006
R0320	Gross - Proportional reinsurance accepted	1,834	8,517	2,199	670	1,157	2,474	16,850
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	8,229	38,220	9,866	3,005	5,191	11,102	75,612
R0400	Net	679	3,156	815	248	429	917	6,243
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,391	8,375	1,959	1,226	856	1,430	15,238
R1200	**Other expenses**							2,100
R1300	**Total expenses**							17,339

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0		0	0	0									0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				-4,274		-10,133	-12,323	15,880									-10,850
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-1,456		-9,015	-12,411	3,255									-19,626
R0150	**Net Best Estimate of Premium Provisions**				-2,818		-1,119	88	12,625									8,776
	Claims provisions																	
R0160	Gross				15,405		147,165	14,112	157,257									333,940
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				13,722		130,995	12,464	140,254									297,435
R0250	**Net Best Estimate of Claims Provisions**				1,683		16,170	1,649	17,003									36,505
R0260	**Total best estimate - gross**				11,131		137,032	1,790	173,137									323,090
R0270	**Total best estimate - net**				-1,136		15,052	1,737	29,628									45,281
R0280	**Risk margin**				188		2,548	279	1,912									4,926
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				11,319		139,580	2,068	175,048									328,016
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				12,267		121,981	53	143,509									277,809
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				-948		17,600	2,015	31,540									50,207

S.19.01.21

Non-Life insurance claims

Total Non-life business

	Accident year / underwriting year	Accident Year
Z0020		

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											438	438	438
R0160	2012	18,958	40,351	17,158	12,694	10,116	7,269	823	3,766	4,353	1,214		1,214	116,702
R0170	2013	22,635	26,222	10,957	6,368	4,936	2,334	3,179	1,481	-393			-393	77,717
R0180	2014	16,536	24,793	21,011	11,019	7,782	2,896	1,094	4,612				4,612	89,743
R0190	2015	17,857	35,321	17,289	9,102	7,866	9,142	1,440					1,440	98,017
R0200	2016	13,700	40,994	14,077	13,555	9,323	4,641						4,641	96,291
R0210	2017	16,271	31,194	16,170	13,336	4,890							4,890	81,861
R0220	2018	21,433	35,626	19,915	12,522								12,522	89,495
R0230	2019	20,270	31,505	15,200									15,200	66,975
R0240	2020	14,934	27,422										27,422	42,356
R0250	2021	17,340											17,340	17,340
R0260												Total	89,326	776,936

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											8,022	7,906
R0160	2012	0	0	0	0	20,712	10,672	8,191	8,325	7,694	4,907		4,836
R0170	2013	0	0	0	16,254	12,966	8,178	4,664	4,772	4,556			4,490
R0180	2014	0	0	19,834	14,508	6,430	4,855	8,983	4,000				3,942
R0190	2015	0	46,305	27,485	16,422	4,029	9,488	7,752					7,640
R0200	2016	89,854	52,459	32,840	23,228	12,224	7,629						7,518
R0210	2017	112,294	71,946	49,627	21,134	15,081							14,863
R0220	2018	102,589	54,092	39,229	28,609								28,196
R0230	2019	107,138	61,883	44,812									44,164
R0240	2020	111,693	80,287										79,126
R0250	2021	133,184											131,259
R0260												Total	333,940

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	69,599	69,599			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	69,599	69,599	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	69,599	69,599	0	0	0
R0510	Total available own funds to meet the MCR	69,599	69,599	0	0	
R0540	Total eligible own funds to meet the SCR	69,599	69,599	0	0	0
R0550	Total eligible own funds to meet the MCR	69,599	69,599	0	0	
R0580	**SCR**	44,941				
R0600	**MCR**	11,235				
R0620	**Ratio of Eligible own funds to SCR**	154.87%				
R0640	**Ratio of Eligible own funds to MCR**	619.47%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	69,599
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	69,599
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	37,965
R0790	**Total Expected profits included in future premiums (EPIFP)**	37,965

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	9,292		
R0020	Counterparty default risk	18,632		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	17,650		
R0060	Diversification	-10,326		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	35,248		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	9,693
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	44,941
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	44,941
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	9,737

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	1,333
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	15,052	21,942
R0080	Fire and other damage to property insurance and proportional reinsurance	1,737	6,373
R0090	General liability insurance and proportional reinsurance	29,628	9,900
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	9,737
R0310	SCR	44,941
R0320	MCR cap	20,223
R0330	MCR floor	11,235
R0340	Combined MCR	11,235
R0350	Absolute floor of the MCR	4,309
R0400	**Minimum Capital Requirement**	11,235