Moving forwards stronger, Together

Through Transport Mutual Insurance Association Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 December 2022

TT CLUB
IS MANAGED
BY **THOMAS MILLER**

Contents

THROUGH TRANSPORT MUTUAL INSURANCE ASSOCIATION LIMITED

Directors and Management

CHAIRMAN	
U Kranich [3, 4, 5]	Hamburg
DEPUTY CHAIRMAN	
J Küttel [3, 4]	Luzern
DIRECTORS	
A Abbott	Atlantic Container Line, New York
U Baum [3, 4]	Röhlig Logistics, Bremen
G Benelli [5]	Specialist Director - Investment
H-J Bertschi	Bertschi Group, Dürrenäsch
YI Chang	Evergreen Group, Taipei
X Chen [5]	COSCO Container Line, Shanghai
J Chowdhury [4] (retd. 31 July 2022)	Through Transport Mutual Services (UK) Ltd, London
D Curtis (appt. 23 June 2022, retd. 1 October 2022)	BNSF Logistics, Dallas
M d'Orey	Orey Shipping, Lisbon
S Edwards	Virginia Port Authority, Norfolk
M Engelstoft [1, 2, 3, 4, 5]	Genoa
T Faries [4]	Appleby, Bermuda
C Fenton [4]	Through Transport Mutual Services (UK) Ltd, London
A Fullbrook [5]	OEC Group, New York
CY Gan (retd. 31 August 2022)	Pacific International Lines, Singapore
M Hine [1, 2, 4]	Specialist Director - Finance
R Murchison	Murchison Group, Buenos Aires
Y Narayan	DP World, Dubai
J Neal	Carrix, Seattle
J Nixon	Ocean Network Express, Singapore
E Ong [4] (appt. 1 August 2022)	Through Transport Mutual Services (UK) Ltd, London
R Owens	Nautilus International Holding Corporation, Long Beach
D Robinson MBE [1, 2, 4]	PD Ports, Middlesbrough
N Smedegaard [4]	DFDS Group, Copenhagen
K Svendsen (appt. 10 November 2022)	A P Møller-Maersk, Copenhagen
S Trantantasin	RCL Group, Bangkok
S Vernon	Triton International, London

[1] Audit & Risk Committee member –
Through Transport Mutual Insurance Association Limited (TTB)

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

[3] Nominations Committee – TTB and TTI

[4] Management Committee member – TTB

[5] Investment Committee member – TTB

Registered Office	Victoria Place, 5th floor 31 Victoria Street Hamilton HM10 Bermuda Company Registration Number 1750
Managers	Thomas Miller (Bermuda) Limited
Company Secretary	Thomas Miller (Bermuda) Limited Telephone +1 44 1 292 4724
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside, London SE1 2RT United Kingdom

Financial Highlights

Income Statement	2022 US$000s	2021 US$000s
Gross earned premiums [1]	**276,538**	248,208
Ceded earned premiums [3]	**(70,035)**	(64,584)
Net earned premiums	**206,503**	183,624
Net claims incurred	**(125,217)**	(121,628)
Gross incurred brokerage [2]	**(50,555)**	(47,418)
Commission income on reinsurances	**11,338**	8,226
Expenses [4]	**(23,780)**	(27,681)
Net operating expenses	**(62,997)**	(66,873)
Underwriting profit/(loss)	**18,289**	**(4,877)**
Investment return (loss)/gain	**(10,892)**	16,313
Interest payable	**(473)**	(479)
Exchange gains/(losses)	**30**	(1,344)
Taxation	**(1,318)**	(809)
Surplus on ordinary activities after tax	**5,636**	**8,804**

Balance sheet	2022 US$000s	2021 US$000s
Cash and investments	**587,033**	568,577
Gross technical provisions [5]	**126,221**	107,684
Other assets [6]	**97,194**	79,281
Total assets	**810,448**	755,542
Ceded technical provisions [5]	**(532,350)**	(468,647)
Other liabilities [7]	**(16,600)**	(31,033)
Total liabilities	**(548,950)**	(499,680)
Total surplus and reserves	**261,498**	**255,862**

1. Gross Earned Premiums is calculated as the sum of Gross Premiums Written and Gross Unearned Premium Reserve Movements.
2. Gross Incurred Brokerage is shown on an earned basis.
3. Ceded Earned Premiums is calculated as the sum of Ceded Written Premiums and Ceded Unearned Premium Reserve Movements.
4. Expenses is calculated as Net Operating Expenses plus Tax on ordinary activities for the year. It excludes Brokerage and Commission Income on quota share reinsurances.
5. Technical Provisions include Gross and Ceded Unearned Premiums, Gross and Ceded Claims Reserves.
6. Other Assets include Debtors, Deferred Acquisition Costs, Prepayments and Accrued Income, Retirement Benefits and Obligations, and Other Assets
7. Other Liabilities include Creditors, Accruals, Deferred Income, and Equity Minority Interest.

Chairman's Report

I write to you following what has been a challenging year globally. In addition to the impact of the continuing Covid-19 pandemic, the conflict in Ukraine and rising inflation were new factors impacting our environments. In spite of this, I can tell you that your Club has performed well, has remained in very good health and has built on the significant growth in recent years.

2022 was a very good year in terms of business activity, delivering a combined ratio for the policy year of 90 per cent.

Notably, it continues to deliver the industry leading product and service expected by the Members and the industry and as you will read below, has plans to further expand its loss prevention offering as part of Environmental Social and Governance ("ESG").

It is also positive to note that as Covid is finally receding and international borders are largely re-opened, we are able to reconnect with our Members and the industry, resume old friendships, and share in the developments and learnings of the last three years.

Financial Performance

The Club's net result for the 2022 year is US$ 5.6 million. This relatively modest result is not reflective of the Club's operational performance throughout the year. 2022 was a very good year in terms of business activity, delivering a combined ratio for the policy year of 90 per cent. The modest profit for the year is the product of this strong policy year performance coupled with three distinct factors reducing the net position.

First and most notably, 2022 was a difficult year in terms of investment return. This was of course the case for most insurers and the Club's portfolio produced a return for the year of US$ -10.9 million loss (-2.1% yield). More positively, the portfolio concluded the year both ahead of forecast and above benchmark.

Second, the Club's reserves have been strengthened. While prior accident year claims have developed in line with expectations, the Managers and their advisors are of the view that it would be sensible to strengthen the reserves held with respect to bodily injury claims. Also included within the claim estimates is a loading for the spike in inflation being experienced in many economies. This loading is in addition to the provision for inflation applied in each year.

Finally, as noted below the Managers are now in the implementation stage of a multi-year legacy modernisation project replacing and upgrading the Club's core systems. While all 2022 project costs were pre-paid during the 2021 year, the Board has taken the decision at this year-end to incur US$ 2 million towards 2023 costs as part of an approach which has spread the cost over a number of years.

The Club's gross written premium in the year rose to US$ 283 million, mainly attributable to extremely strong Member volume growth, while good new business performance balanced the managed run-off of the Russian and Belarusian portfolio following the Board's decision earlier in the year to stop writing business from these two countries. I say more about this below. Gross written premium has grown 51 per cent from 2017 when it was US$ 188 million and has been delivered largely in the Club's core Member categories and without compromising the combined ratio performance.

As was signalled in last year's review, the dynamics in insurance markets have now changed as the appetite of competitors has increased, and competition for new business is again strong across almost all sectors and markets. As a result, the unusually high levels of new business seen in 2021 did not reoccur in 2022, although the Club again delivered very high retention rates across all sectors of the business.

Chairman's Report

(continued)

The Managers have also looked throughout the year for opportunities to support the Club's relatively small number of Ukrainian Members, and indeed all Members impacted by losses as a result of the conflict.

Conflict in Ukraine

The business impact of the war in Ukraine has been significant, but has not materially impacted the Club's finances or its 2022 results. At the point the Board took the decision to run-off the Russian and Belarusian portfolios, the Club was writing US$ 15 million of gross written premium across all lines of business in the affected areas and the Managers were tasked with conducting the run-off in an orderly fashion, but in as short a time as this could be achieved. This has largely been accomplished and as of the 2022 year-end, only a small number of policies remain in force and will not be renewed when their terms expire.

The Club has continued to service the business being run-off in the professional manner expected in accordance with the Club's mutual mission, and in protection of the Association's funds. The Managers have also looked throughout the year for opportunities to support the Club's relatively small number of Ukrainian Members, and indeed all Members impacted by losses as a result of the conflict. As will be expected, the conflict brought additional legal and regulatory complexity to the management of these accounts, as sanctions (including retaliatory Russian measures) and other legal developments required constant vigilance and action. I am pleased to say that the Club navigated this landscape effectively.

Covid travel and claims

Along with expressing the continued hope that Covid will not present such a major factor in all our lives in 2023, I can tell you that its impact on the Club has continued to be quite limited. The Club has still not seen a large number of claims from Members caused by the virus or measures taken to mitigate its effects. Further, the Club's operations continue to run effectively with work patterns having adjusted both in response to periodic lock-downs, which continued through 2022 in a number of locations and a greater level of flexibility for remote working across the Managers' offices. Face-to-face contact with Members and brokers increased steadily but unevenly throughout 2022 and all the Club's staff are now able to travel and service the membership without restriction.

Upgrading IT systems

As mentioned above, the Club's operating systems are being upgraded to take advantage of changes in technology and as part of positioning the Club to make the most of digital technologies in the future, particularly with respect to Member and broker services. This is a major project for the Club both in terms of cost, but also risk in changing systems amongst which is the insurance company system of record.

This project is being run with the assistance of experts engaged to ensure that the project runs well and the Managers are on schedule to deliver the new and modernised systems in the fourth quarter of 2023. Taking the opportunity of good surpluses in earlier years to cover the costs of the project has proved very effective as a way of spreading the cost.

Brexit

The membership will be broadly aware that the Club's arrangements to maintain service to EEA Members and their brokers have been conducted in a business-as-usual fashion. This follows the transitioning of the Club's pre 1 January 2021 claims liabilities into the Rotterdam-based subsidiary of the Thomas Miller managed UK P&I Club, ("UK N.V"), which the Club uses as a fronting vehicle to access EEA markets. This change occurred with effect from 31 December 2021 and follows the changes made to the issuance of new policies of insurance from UK N.V, in turn reinsured back to the Club, which started on 1 January 2021.

These arrangements have run well, and the feedback received is that the levels of service delivered to EEA Members have not reduced. In fact, as a result of Thomas Miller establishing an office in Rotterdam with TT resource based in it and remote work arrangements taking advantage of staff desire to relocate to their EEA home countries, there is now more resource on the ground in the EEA serving the Club's customers. In 2023 the Managers will continue to evaluate how best to make use of this resource and structure its business within the EEA to best serve the membership.

Chairman's Report

(continued)

The Managers are looking forward to delivering the Club's first ESG report in the second half of 2023, in line with its commitment to the UN Principles of Sustainable Insurance.

Loss prevention

It has been my practice as Chairman to summarise the Club's loss prevention activities over the previous year in this review. This has always been a pleasure, in that these activities are at the heart of the Club's mutual mission and what differentiates us from our commercial competitors. Our loss prevention initiatives are a source of pride and tremendous value. This is especially true for the 2022 year, during which the Club's mutual mission was expanded to include sustainability, alongside safety and security.

With the Club's increasing commitment to this service, Loss Prevention has now outgrown this review. The Club's loss prevention philosophy and activities are now being detailed in a stand-alone section of this annual report, so the Club's services to the membership and the industry as a whole can be presented more fully. I would like to take this opportunity to thank the Members and their brokers for being the vital starting-point for these services, as your feedback and on-the-ground input is the basis for our service roadmap.

Environmental, Social and Governance ("ESG")

Corporate Environmental, Social and Governance ("ESG") policies have become a staple discussion point and consideration for Members and industry organisations. In particular, the journey each business must take towards net zero emissions in the coming years is presenting challenges for all. The Loss Prevention section of this report will detail the Club's commitment to support Members and the industry, especially small and medium size Members, allowing them to engage more easily with the subject-matter, learning from steps already taken by early movers.

In addition to this ESG support to the Members, the Club and Managers have taken their own action to develop their approaches with respect to environmental, social and governance concerns. The Managers are looking forward to delivering the Club's first ESG report in the second half of 2023, in line with its commitment to the UN Principles of Sustainable Insurance.

Directors and Board Committees

The Boards and Committees continued to meet their usual schedules in 2022 and I am extremely grateful to my fellow Directors and particularly those that serve on the committees for their time and diligence in discharging their responsibilities.

Three Directors retired from the Board in the year. Julian Chowdhury retired in July 2022, Gan Chee Yen retired in August 2022 and Dan Curtis retired in October 2022. Mr Chowdhury is of course well remembered as the Club's CFO, having held financial roles with the Club's Managers for over 25 years. He was a Director of the Club for six years, serving on the TTI Board for the whole of that time and on the TT Bermuda Board for the last two years. Mr Gan was a Director of TT Bermuda for one year before his retirement from his Member role, but his contribution to Board discussion particularly in financial and investment matters was of great service. Mr Curtis was a Director of TT Bermuda for less than one year, again before departing his Member role.

During the year, the Board has also welcomed EeLain Ong (Club CFO and Executive Director, succeeding Mr Chowdhury) and Keith Svendsen (CEO of APM Terminals) and my Board colleagues and I look forward to working with them.

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

During 2022, the Club Board met in March in Dubai, in June in Chicago and in Lisbon in November. These Board and Committee meetings were conducted in a hybrid fashion, with broad attendance from Directors including those unable to travel from their home countries. As travel became more practicable during the year, in-person attendance grew. In 2023, the Board will meet in Singapore in March, in Hamburg in June and in Bermuda in November. As noted above, it is the Board's intention that during 2023 these meetings resume their long standing and valued purpose of bringing industry leaders face to face to share their learnings with one another, and participating in the governance of their Club.

Chairman's Report
(continued)

Directors and Board Committee
(continued)

My term of office as Chairman comes to an end at the Annual General Meeting in June of 2023. It has been a great honour to serve in the role and I thank my fellow Directors and the Managers for their support. In anticipation of my retirement the Nominations Committees of the TT Bermuda and TTI Board ran a process to make a recommendation to the Boards on my successor and I am delighted to tell you that Morten Engelstoft, who stepped down as CEO of APM Terminals in 2022, has been recommended and is prepared to serve. Morten will be an excellent Chairman, having a deep knowledge of all the Club's core membership categories and I wish him well in the role.

The Board is again extremely grateful to all Members and their brokers for their support in what has been a difficult year globally, and for their essential role in making it a positive year for the Club both in financial terms and in the delivery of its mutual mission. This support is not taken for granted. This will be my last review as Chairman and I wish Members and the Managers all the best for 2023 and beyond.

U. Kranich
Chairman
29 March 2023

Strategic Report

Gross earned premiums amounted to US$ 276.5 million which was 11.4% higher than the previous year due to net new business and member volume growth.

Business review

The principal activities of Through Transport Mutual Insurance Association Limited ("TTB") and its subsidiary, TT Club Mutual Insurance Limited ("TTI") – trading collectively as "TT Club" or "the Club" – during the year were the provision of insurance and reinsurance in respect of the property equipment and casualty liabilities of its Members in the international transport and logistics industry.

TT Club operates in the United Kingdom, the United States of America and through branches in Australia, Hong Kong and Singapore.

Strategy and values

TT Club's business is the provision of asset and liability insurances and related risk management services to the international transport and logistics industry. It consists of two mutual insurance companies with separate corporate governance arrangements but operating as a single business, and is owned by its policyholders, also known as Members.

TT Club'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. TT Club maintains a conservative investment policy.

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

TT Club's business model is to outsource the entire management function, including that relating to investment management, to companies within the Thomas Miller Holdings Limited group of companies.

Financial performance, capital strength and solvency

The principal Key Performance Indicators ("KPIs") by which performance is monitored by the Board are set out below.

	2022	2021
AM Best rating	A- (Excellent)	A- (Excellent)
Surplus and reserves	US$ 261.5m	US$ 255.9m
Underwriting result profit/(loss)	US$ 18.3m	US$ (4.9)m
Investment return (loss)/gain	US$ (10.9)m	US$ 16.3m
Surplus after tax	US$ 5.6m	US$ 8.8m

Strategic Report

(continued)

Financial performance, capital strength and solvency (continued)

Gross earned premiums amounted to US$ 276.5 million which was 11.4% higher than the previous year due to net new business and member volume growth.

The Club entered into a five year quota share reinsurance agreement with Swiss Re which covers the 2018 to 2022 policy years with the cession being 20% for 2022. The Club entered into a further three year quota share agreement for the 2023 to 2025 policy years with the cession being 15% for 2023.

The latest forecast ultimate loss ratio for the 2022 accident year is 64% which is similar to the 2021 accident year loss ratio of 64%.

Prior accident year claims development has been higher than expected, resulting in a strengthening of prior year best estimate claims reserves, excluding currency effects and before quota share reinsurance, of US$ 11.4 million (2021 release of US$ 10.6 million).

The improvement in the underwriting result was mainly due to the price adequacy as well as the absence of large catastrophe claims. In addition, the spend on a project to modernise the Club's IT systems was lower against the previous year.

The underlying investment return, excluding currency effects, was -2.1% loss (2021: 3.6% gain).

Strategic Report

(continued)

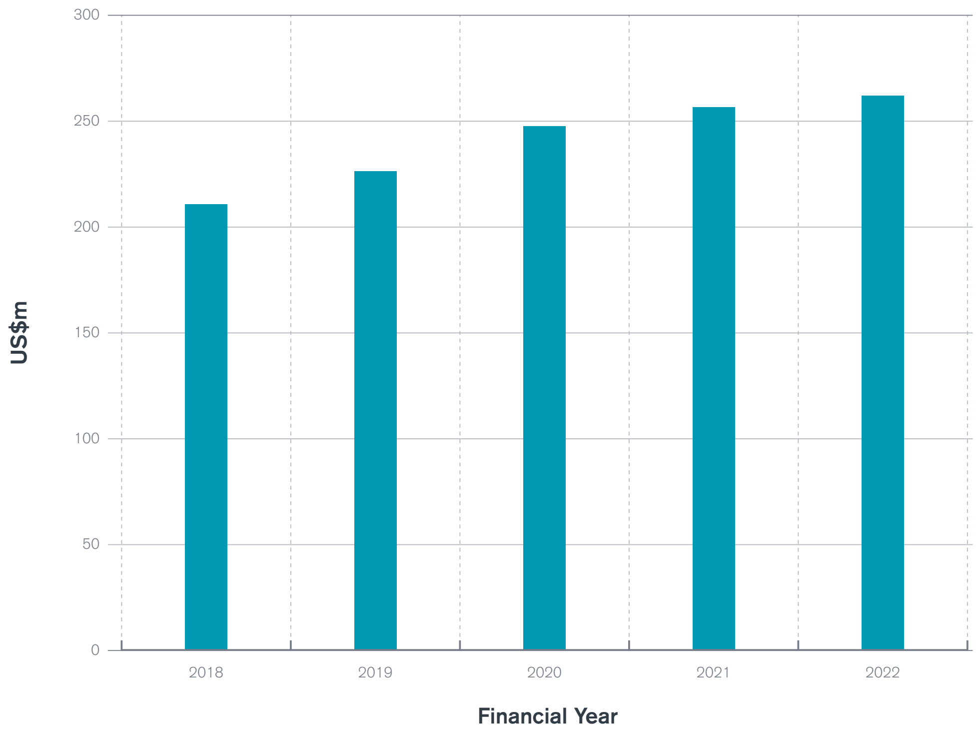
Key Performance Indicators

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

1. **Financial strength - AM Best rating**

   TT Club has had a rating of A- (Excellent) since 2006.

2. **Capital - surplus and reserves**



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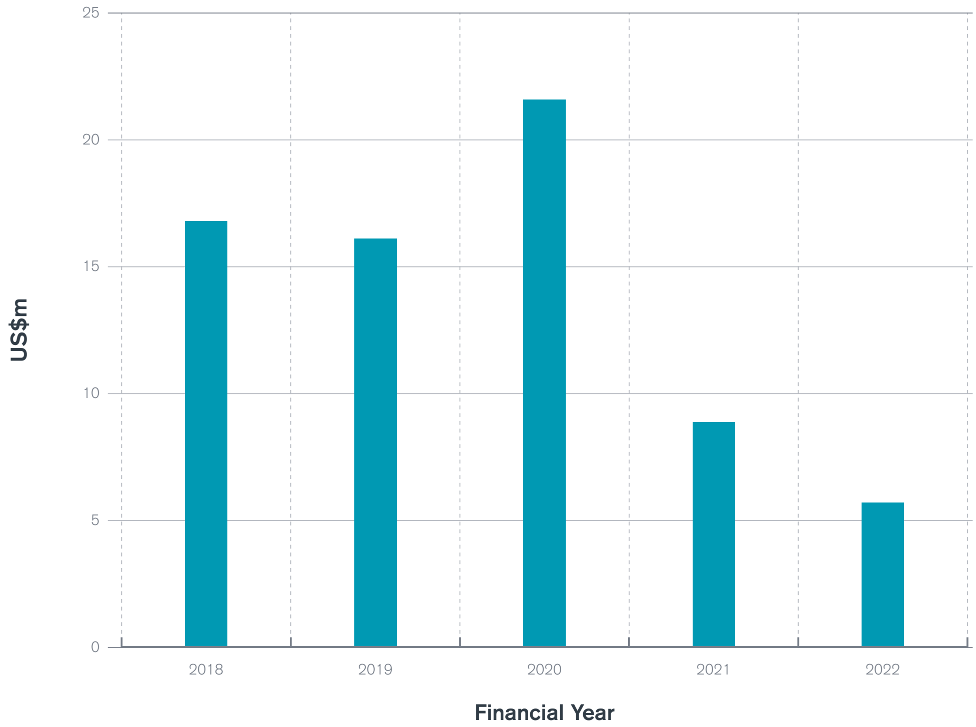
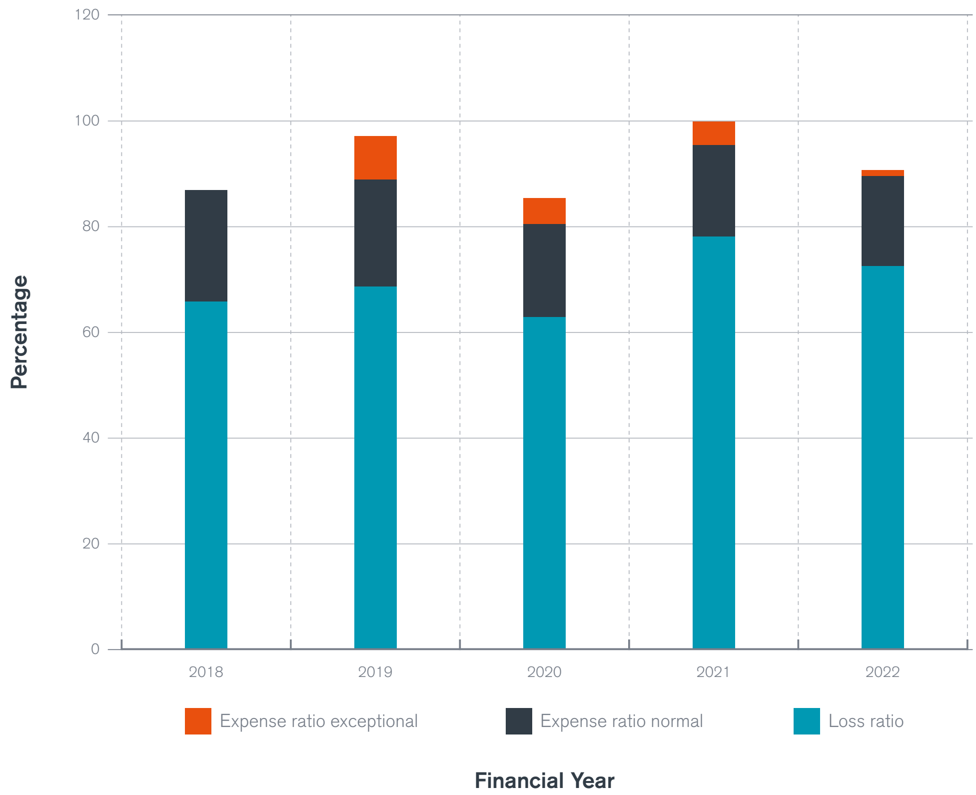
Strategic Report
(continued)

Key Performance Indicators (continued)

3. Profit/(loss) - surplus/(deficit)



4. Combined ratios - showing loss and expense ratios (inclusive of brokerage)

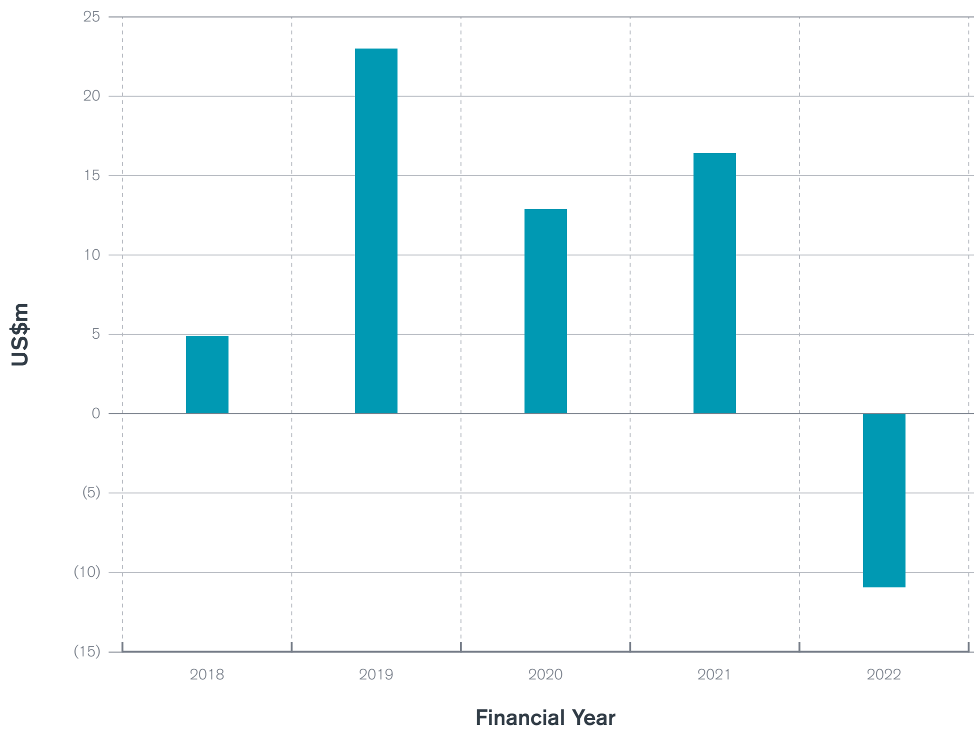


Majority of the Club's exceptional costs relate to an ongoing IT project to modernise existing systems.

Strategic Report
(continued)

Key Performance Indicators (continued)

5. Investment returns - in monetary amounts and yields.



Club's plan and mission

The Club's 3-year Business Plan approved by the Board in November 2022 states: The TT Club's mission is "to make the global transport and logistics industry safer, more secure and more sustainable".

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

A significant element of the value the Club provides to its Members is derived from the depth of expertise within the organisation. This expertise will be applied to ensure the Club is positioned to continue to meet the needs of the membership as those needs evolve.

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

The delivery of the Club's mission is core to maintaining the success of the company. The Board has a strategic objective of maintaining the Club's financially stable platform, from which to provide risk management and loss prevention services to the industry. This continues to be achieved and is supported by the affirmation of the Club's A-minus (Excellent) financial strength rating by A M Best in 2022.

Throughout the year, the Board continued to received reports at its meetings on the Club's loss prevention activities which benefit the Members, providing input and direction on key initiatives.

Strategic Report

(continued)

Key Performance Indicators (continued)

Club's plan and mission (continued)

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

The Club has strong relationships with its brokers and reinsurers and through its Managers, the Club maintains contact and high level engagement with the senior management of its key brokers and reinsurers. Throughout the year, the Board received updates on the Club's key broker and reinsurer relationships. At the end of 2022, the Club's general excess-of-loss reinsurance programme was successfully renewed for 2023.

By approval of the Board.

Thomas Miller (Bermuda) Limited

Company Secretary

29 March 2023

Directors' Report

Directors and officers

The names of the Directors of the Club who served during the year and up to the financial statement signing date are shown on page 2. All the Directors retiring at the Annual General Meeting and seeking re-election were re-elected. The Directors of TT Club Mutual Insurance Limited are shown at the front of TT Club Mutual Insurance Limited annual report.

The Board of Directors has effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of TTB against loss arising from any claim against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of TTB. The cost of the insurance is included in net operating expenses.

Board of directors' meetings

The Board of the Club met formally on three occasions during the year to carry out the general and specific responsibilities entrusted to it by the Members under the Bye-Laws of the Club. Amongst the matters considered, the Directors received and discussed written reports from the Managers on TT Club's financial development, with particular reference to underwriting policy, investment of its funds, insurance reserves and major claims paid or outstanding.

Reports on the results of the negotiations for the renewal of Members at the start of and during the current policy year were received and the Directors reviewed the list of new entries and of those Members whose entries had terminated. The Directors confirmed their intention not to levy any supplementary premium on the 2021 policy year and in addition, close the 2019 policy year.

Board committees

The Boards of TTI and its parent company, Through Transport Mutual Insurance Association Limited ("TTB") have jointly delegated specific authority to a number of committees. The TTI Board is appraised as to the main issues discussed and all minutes of meetings of the committees are distributed to the TTB Board.

The joint TTI TTB Nominations Committee ensures that the Board is appropriately skilled to direct a mutual insurance company, that the Directors are appropriately senior and representative of the membership, and that there is a proper balance of Directors taking account of the different categories of Member, different sizes of businesses insured and different locations of Members' businesses. The Nominations Committee met on four occasions during 2022.

The TTI and TTB Audit & Risk Committee assists the Board in discharging its responsibilities for the integrity of TT Club's financial statements, the assessment of the effectiveness of the systems of internal control, monitoring the effectiveness and objectivity of internal and external auditors, and compliance with regulatory requirements in relevant jurisdictions. The Audit & Risk Committee met on eight occasions during 2022.

The TTB Management Committee was 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 2022.

The TTB Investment Committee makes recommendations to the Board in respect of investment policy and reviews in detail the performance of TT Club's investments. The Investment Committee met on four occasions during 2022.

Directors' Report
(continued)

Risks and risk management

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

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

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

All types of risk facing the business are identified and analysed, and each one is rated according to its probability of occurrence and impact, being an assessment of the significance of the event if it occurs, on the basis of financial, reputational, legal/regulatory and customer measures. The rating of each risk is carried out on the basis of both inherent risk and residual risk, the latter taking account of controls that are already operating. Risks are defined as 'Red', 'Amber' or 'Green' on both inherent and residual risk bases to assist the Board with the prioritisation of the management of risks, and also to demonstrate the importance of the mitigation or control that is in place.

All risks are summarised and categorised in a Risk Log, which is monitored and re-assessed on an annual basis. The Club has established mitigation and control in order to respond to the risks that are identified and assessed as above. These response activities reflect the nature of the Club's business. The appropriateness and adequacy of mitigation and control for each risk is monitored. The Board recognises and accepts that additional action may be disproportionate or not further reduce the risk exposure.

The principal risks and uncertainties faced by the business are summarised as follows:

Insurance risk

Insurance risk is the potential adverse financial impact on TT Club as a result of:

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

Insurance risk is mitigated by means of:

- Prior approval of all quotations by a minimum of two senior underwriters.
- Underwriters' authority levels based on experience and competence.
- Technical underwriting and claims file reviews by management.
- Key performance indicators and key risk indicators relating to underwriting and claim functions.
- Regular actuarial, management and Board review of claims reserves.
- Management review of outwards reinsurance adequacy and security.

Financial risks

Financial risks are explained and analysed in further detail at Note 4 and consist of:

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

Directors' Report

(continued)

Risks and risk management
(continued)

Operational risk

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

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

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

The Directors have assessed the mitigation and controls environment relating to each of these types of insurance, financial, and operational risk and have made an assessment of the capital required to meet the residual risks faced by the business.

Approval of 2021 Annual Report and Financial Statements

The Annual Report and Financial Statements for the year ended 31 December 2021 were laid and approved by the Members of the Club at the Annual General Meeting in June 2022.

Statement of disclosure of information to auditors

Each person who is a Director at the date of this report confirms that:

- So far as each of them is aware, there is no information relevant to the audit of the Club's financial statements for the year ended 31 December 2022 of which the auditors are unaware; and
- Each Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make him/herself aware of any relevant audit information and to establish that the Club's auditors are aware of that information.

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

By approval of the Board.

Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2023

Directors' Responsibilities Statement

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

The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required to give a true and fair view of the state of affairs of TT Club and Parent Company and of the profit or loss of TT Club and Parent Company for that year.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that TT Club and Parent Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of TT Club and Parent Company and to enable them to ensure that the financial statements comply with applicable law and United Kingdom Accounting Standards. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Through Transport Mutual Insurance Association website, www.ttclub.com, is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By approval of the Board.

Thomas Miller (Bermuda) Limited
Company Secretary
29 March 2023

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

Report on the audit of the group and parent financial statements

Opinion

In our opinion, Through Transport Mutual Insurance Association Limited’s group financial statements (the “financial statements”):

- Give a true and fair view of the state of the group and parent company’s affairs as at 31 December 31 2022 and of the group surplus and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the *Annual Report and Consolidated Financial Statements* (the “Annual Report”), which comprise: the Consolidated and Parent Statement of Financial Position as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Parent Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements.

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

Basis for opinion

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

Independence

We remained independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group and parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group and parent 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.

Reporting on other information

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

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

Report on the audit of the group and parent financial statements (continued)

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the *Directors' Responsibilities Statement* set out on page 17, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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 Bermuda Monetary Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 1981 (Bermuda). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and judgemental areas of the financial statements such as the reserving methodology and subjectivity in key reserving assumptions. Audit procedures performed 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 Bermuda Monetary Authority in relation to compliance with laws and regulations;
- Reviewing Board meeting and Audit and Risk Committee meeting minutes;
- Reviewing the company's internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Testing the valuation of the outstanding claims reserve;

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

Report on the audit of the group and parent financial statements (continued)

- Identifying and testing journal entries with unusual characteristics, such as journals with unusual account combinations, journals posted on behalf of senior management, and journals that appear to be inappropriately duplicated or reversed; and
- Tests which incorporated elements of unpredictability.

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

A further description of our responsibilities for the audit of the financial statements 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 opinions, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

London

29 March 2023

(a) The maintenance and integrity of the *Through Transport Mutual Insurance Association Limited's* website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The maintenance and integrity of the Through Transport Mutual Insurance Association Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Consolidated Income Statement

for the year ended 31 December 2022

Technical account	Note	**2022 US$000s**	2021 US$000s
Gross premiums written	8	**283,343**	262,987
Reinsurance premiums ceded		**(62,912)**	(70,453)
Net premiums written		**220,431**	192,534
Change in provision for unearned premiums			
Gross	7	**(6,805)**	(14,779)
Reinsurers' share	7	**(7,123)**	5,869
		(13,928)	(8,910)
Net earned premiums		**206,503**	183,624
Claims paid			
Gross	5(b)	**(115,004)**	(103,980)
Reinsurers' share	5(b)	**29,138**	26,983
		(85,866)	(76,997)
Change in the provision for claims			
Gross		**(65,107)**	(54,628)
Reinsurers' share		**25,756**	9,997
		(39,351)	(44,631)
Net claims incurred		**(125,217)**	(121,628)
Net operating expenses	9	**(62,997)**	(66,873)
Underwriting profit/(loss)		**18,289**	**(4,877)**
Allocated investment return transferred from the non-technical account		**(6,244)**	7,689
Balance on the technical account		**12,045**	**2,812**

Consolidated Income Statement

for the year ended 31 December 2022 (continued)

Non-technical account	Note	**2022 US$000s**	2021 US$000s
Balance on the technical account		**12,045**	2,812
Net investment returns			
Investment income		**5,231**	3,064
Realised gains on investments		**2,787**	7,398
Unrealised (losses)/gains on investments		**(18,910)**	5,851
	10	**(10,892)**	16,313
Allocated investment return transferred to the technical account	10	**6,244**	(7,689)
		(4,648)	8,624
Interest payable and financing costs		**(473)**	(479)
Exchange gains/(losses)		**30**	(1,344)
Surplus on ordinary activities before tax		**6,954**	9,613
Tax on ordinary activities	11	**(1,318)**	(809)
Surplus for the year		**5,636**	**8,804**

All activities derive from continuing operations and are attributable to members.

The notes on pages 27 to 50 form an integral part of these financial statements

Consolidated and Parent Statement of Financial Position

as at 31 December 2022

		Consolidated		Parent Company	
Assets	Note	**2022 US$000s**	2021 US$000s	**2022 US$000s**	2021 US$000s
Investments					
Land and buildings		**48**	54	**–**	–
Shares in subsidiary undertakings	12	**–**	–	**12**	12
Other financial investments	13	**526,963**	516,466	**339,421**	353,092
Derivative financial instruments	14	**1,248**	4	**1,248**	4
		528,259	516,524	**340,681**	353,108
Reinsurers' share of technical provisions					
Provision for unearned premiums	7	**20,304**	27,427	**2,277**	2,468
Claims outstanding	5(b),5(d)	**105,917**	80,257	**3,773**	3,643
		126,221	107,684	**6,050**	6,111
Debtors					
Arising out of direct insurance operations		**72,389**	64,505	**9,304**	5,145
Arising out of reinsurance operations		**9,914**	3,941	**57,565**	50,733
Amounts due from group undertakings		**–**	–	**144,370**	87,292
Other debtors		**411**	398	**141**	27
		82,714	68,844	**211,380**	143,197
Other assets					
Cash at bank		**58,774**	52,053	**6,665**	15,810
Retirement benefits and similar obligations	17	**57**	49	**–**	–
		58,831	52,102	**6,665**	15,810
Prepayments and accrued income					
Accrued interest		**1,960**	507	**1,179**	312
Deferred acquisition costs	6	**11,766**	9,274	**1,903**	1,133
Prepayments		**697**	607	**121**	165
		14,423	10,388	**3,203**	1,610
Total assets	4(b),4(c),4(d)	**810,448**	**755,542**	**567,979**	**519,836**

Consolidated and Parent Statement of Financial Position

as at 31 December 2022 (continued)

Liabilities and reserves	Note	Consolidated 2022 US$000s	Consolidated 2021 US$000s	Parent Company 2022 US$000s	Parent Company 2021 US$000s
Reserves					
Statutory reserve		**240**	240	**240**	240
Surplus and reserves		**261,258**	255,622	**199,496**	189,197
	4(b)	**261,498**	255,862	**199,736**	189,437
Gross technical provisions					
Provision for unearned premiums	7	**106,122**	99,317	**71,928**	60,750
Claims outstanding	5(b),5(d)	**426,228**	369,330	**292,969**	264,546
		532,350	468,647	**364,897**	325,296
Creditors					
Arising out of reinsurance operations		**5,510**	21,109	**27**	131
Derivative financial instruments		**–**	144	**–**	144
Other creditors including taxation and social security		**4,713**	2,227	**331**	568
		10,223	23,480	**358**	843
Other liabilities					
Accruals and deferred income		**6,409**	7,585	**2,988**	4,260
Equity minority interest		**(32)**	(32)	**–**	–
		6,377	7,553	**2,988**	4,260
Total liabilities and reserves		**810,448**	**755,542**	**567,979**	**519,836**

The notes on pages 27 to 50 form an integral part of these financial statements.

The financial statements on pages 21 to 26 were approved by the Board of Directors and authorised for issue on 29 March 2023. They were signed on its behalf by:

DIRECTORS

U Kranich

J Küttel

Company Registered Number: 1750

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Statutory reserve US$000s	Surplus and reserves US$000s	Total US$000s
At 1 January 2021	**240**	**246,818**	**247,058**
Surplus for the year	–	8,804	8,804
At 31 December 2021	**240**	**255,622**	**255,862**
Surplus for the year	–	5,636	5,636
At 31 December 2022	**240**	**261,258**	**261,498**

Parent Statement of Changes in Equity

for the year ended 31 December 2022

	Statutory reserve US$000s	Surplus and reserves US$000s	Total US$000s
At 1 January 2021	**240**	**177,501**	**177,741**
Surplus for the year	–	11,696	11,696
At 31 December 2021	**240**	**189,197**	**189,437**
Surplus for the year	–	10,299	10,299
At 31 December 2022	**240**	**199,496**	**199,736**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Note	**2022 US$000s**	2021 US$000s
Cash flows from operating activities			
Premiums received, net of brokerage paid		**250,709**	239,442
Reinsurance premiums ceded paid		**(65,194)**	(72,868)
Claims paid		**(112,664)**	(104,864)
Reinsurance recoveries on claims		**3,623**	20,203
Management fees paid		**(36,908)**	(47,884)
Expenses paid		**(5,204)**	(5,150)
Overriding commission income on quota share reinsurance		**10,600**	8,226
Investment income		**9,373**	9,251
Other operating cash movements		**(808)**	(1,602)
Taxation paid		**(1,204)**	(492)
Net cash generated from operating activities		**52,323**	44,262
Cash flows from investment activities			
Net cash flows used in purchases of investments		**(898,227)**	(980,031)
Net cash flows from sales of investments		**856,611**	906,204
Net cash flows utilised in investing activities		**(41,616)**	(73,827)
Cash flows from financing activities			
Interest paid		**(473)**	(479)
Net cash flows utilised in financing activities		**(473)**	(479)
Cash and cash equivalents at the start of the year		**60,689**	93,172
Net increase/(decrease) in cash and cash equivalents		**10,234**	(30,044)
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,725)**	(2,439)
Cash and cash equivalents at the end of the year	4(d)	**69,198**	60,689
(UCITS and cash at bank and in hand)			

	Note	**2022 US$000s**	2021 US$000s
Cash and cash equivalents at the end of the year consist of:			
Cash at bank		**58,774**	52,053
UCITS (included within Other Financial Investments in the Consolidated Statement of Financial Position)		**10,424**	8,636
Cash and cash equivalents at the end of the year	4(d)	**69,198**	**60,689**
(UCITS and cash at bank and in hand)			

Notes to the Consolidated Financial Statements

Note 1: Constitution and ownership

The Club was incorporated in Bermuda as Through Transport Mutual Insurance Association Limited ("TTB") under the Through Transport Mutual Insurance Association Limited Consolidation and Amendment Act 1993 as an exempted company.

The liability of Members is limited to the supplementary premiums set by the Directors. Under TTB's Byelaws, in the event of its liquidation, any net assets of the Club (including the Statutory Reserve of US$ 240,000) are to be distributed equitably to those Members insured by it during its final underwriting year. There is no ultimate parent company or controlling party.

Note 2: Accounting policies

(a) Basis of preparation and statement of compliance

These Group financial statements which consolidate the financial statements of the Club and its subsidiary undertakings have been prepared under the Bermuda Companies Act 1981. The Club and its subsidiary undertakings have applied uniform accounting policies and on consolidation all intra-group transactions, profits, and losses have been eliminated.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and United Kingdom Companies Act 2006 and where appropriate, the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (The Regulations) relating to insurance companies.

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

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

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

(b) Premiums

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

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

(c) Unearned premiums

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

Note 2: Accounting policies (continued)

(d) Claims

Provision is made for all claims incurred during the year – whether paid, estimated, or unreported, claims management costs, and adjustments to claims provisions brought forward from previous years. In addition, claims management costs include an allowance for estimated costs expected to be incurred in the future in the management of claims.

Estimated claims stated in currencies other than the functional currency are converted at year-end rates of exchange and any exchange difference is included within claims incurred in the Income Statement.

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

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

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

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

(e) Unexpired risk reserve

Full provision is made for unexpired risks when it is anticipated that unearned premiums, net of associated acquisition costs, will be insufficient to meet the expected claims and expenses of business as at the Statement of Financial Position date, after taking account of future investment income.

Unexpired risk surpluses and deficits are offset where business classes are managed together and provision is made if a deficit arises.

(f) Reinsurance premiums

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

Reinsurance premiums are recognised in the Income Statement in the financial year as and when charged to the Club, together with a provision for any future costs of existing reinsurance policies. Reinsurance purchased during the financial year is recognised as being earned as time elapses during the underlying policy period.

Note 2: Accounting policies (continued)

(g) Reinsurance claim recoveries

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

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

Claim recoveries on known outstanding loss reserves ("OSLR") are estimated based upon the gross claims provisions, having due regard to collectability. Claim recoveries in respect of claims incurred but not reported ("IBNR") are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the reinsurance programme over time.

The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the Statement of Income, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the statement of income as 'Outward reinsurance premiums' when due.

(h) Acquisition costs

Brokerage, commission payments, and other direct costs incurred in relation to securing new contracts and re-writing existing contracts are deferred to the extent that these are attributable to premiums unearned at the year end date and are shown as assets in the Statement of Financial Position. Amounts deferred are amortised over the life of the associated insurance contract.

(i) Commission income

Commission income is earned on the Club's outward reinsurance programmes and on outward reinsurances arranged by the Club on behalf of Members and others. Overriding commission on outward quota share reinsurances is recognised in the Statement of Income on an earned basis and shown as a reduction to net operating expenses.

(j) Management fee

The Club's business model is to outsource the entire management function to companies within the Thomas Miller Holding Limited group of companies. The managers of TTB are Thomas Miller (Bermuda) Limited and the managers of TTI are Through Transport Mutual (Services) UK Limited. The management fee (which includes an element in relation to claims handling) payable to the managers is agreed on an annual basis and covers the cost of managing the Club.

In addition to this the managers receive a performance related fee. The management fee (excluding the claims handling element) and performance related fee are included within net operating expenses. The claims handling element of the management fee is included within paid claims. All fees payable to the managers are charged to the Income Statement in the period they relate to.

(k) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment. The Club reviews the carrying value of its parent company's subsidiaries at each Statement of Financial Position date where there has been an indication that impairment has occurred. If the carrying value of a subsidiary undertaking is impaired, the carrying value is reduced through a charge to the Income Statement.

Note 2: Accounting policies (continued)

(l) Financial assets

The Club has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation, and disclosure of its financial assets and financial liabilities. Financial assets are classified between the following categories: financial assets at fair value through profit or loss, loans and receivables, derivative financial instruments, and cash and cash equivalents. The classification depends on the purpose for which the assets were acquired and is determined at initial recognition. This is re-evaluated at every reporting date.

Fair value through profit and loss

Assets, including all investments of the Club, are classified as fair value through profit and loss and are designated as such by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Investments are included in the Statement of Financial Position at market value translated at year-end rates of exchange. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

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

The costs of investments denominated in currencies other than the 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. The movement in unrealised investment gains and losses includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

Net gains or losses arising from changes in fair value of financial assets at fair value through profit or loss are presented in the Income Statement within 'Unrealised gains/(losses) on investments' in the period in which they arise.

Loans and receivables

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

Derivative financial instruments

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

Non-Hedge Derivative Financial Instruments

Non-hedge derivative financial instruments include open foreign currency contracts. They are designated as fair value through profit and loss. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair value are charged or credited to the Income Statement. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge Derivative Financial Instruments

The Club documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The fair values of various derivative instruments used for hedging purposes are disclosed the notes.

The changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income Statement. The cumulative hedging gain or loss on the unrecognised firm commitment is recognised as an asset or liability with a corresponding gain or loss recognised in the Income Statement.

Note 2: Accounting policies (continued)

(l) Financial assets (continued)

UCITS

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

Cash at bank

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

(m) Investment return

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

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis. Investment income accrued but not received at the year end is held as accrued income in the Statement of Financial Position.

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

The Club allocates a proportion of its actual investment return to the technical account based on the average ratio of outstanding claims to funds available to meet outstanding claims.

(n) Foreign currencies

Revenue transactions are translated into US Dollars at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing US Dollar exchange rate. The resulting differences are shown separately in the Income Statement. Non-monetary assets and liabilities are carried at the exchange rate prevailing at the date of the transaction.

Exchange gains or losses arising on non-US dollar cash holdings are treated as realised and are included in the Income Statement.

(o) Policy year accounting

When considering the results of individual policy years for the purposes of membership accounting - premiums, reinsurance premiums payable, claims, reinsurance recoveries, brokerage commission costs and overriding commission income are allocated to the policy years to which they relate based on the period of cover of each insurance policy. The fixed portion of the management fee is charged to the current policy year while any performance related management fee is allocated to the closed policy years (also known as the Reserve Fund). Net operating expenses are charged against the current policy year.

Investment return and exchange gains or losses are allocated proportionately to the average balance on each open policy year and the aggregate of all closed policy years (also known as the Reserve Fund). UK taxation, which is based on investment return, is allocated proportionately between the open policy years and the closed policy years (also known as the Reserve Fund). Other taxation is allocated entirely to the policy years to which it relates.

Notes to the Consolidated Financial Statements (continued)

Note 2: Accounting policies (continued)

(p) Closure of policy years

On formal closure of a policy year, usually 36 months from inception, the cumulative profit or loss on that closed year is transferred from the open years' surplus and reserves, to the closed years' surplus and reserves (also known as the Reserve Fund).

For closed policy years, the surplus and reserves held (also known as the Reserve Fund) is used to meet the estimated net outstanding claims ("OSLR") and claims incurred but not reported ("IBNR") obligations on all closed years. Future adjustments to these claim obligations will result in changes to the Reserve Fund.

All investment returns attributable to closed policy years will also result in changes to the Reserve Fund.

(q) Taxation

Current Tax

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

As a mutual, the Club operates as a mutual in the United Kingdom and is exempt from UK corporation tax on its underwriting activities, although 10% of the Club's total investment returns are taxed at prevailing rates. For all other jurisdictions in which the Club operates, corporation tax is paid fully at the prevailing rates.

Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the Statement of Financial Position to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that these will be recovered. Deferred tax balances are not discounted.

(r) Related parties

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

The Club also discloses transactions with other related parties. Further details can be found in the notes.

Note 3: Critical accounting estimates and judgements and estimation uncertainty

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

(a) Ultimate claims liability

The estimation of the ultimate liability arising from claims made under insurance contracts is TTI's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that TTI will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period.

The estimate of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than that for known outstanding loss reserves ("OSLR"). In calculating the estimated liability, TTI uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. Normal inflation is imputed within the estimates, whilst excess inflation is an explicit load, both of which are subject to uncertainties. Further explaination of uncertainties are contained in notes 2(d) and 5(d).

(b) Pipeline premiums

The Club makes an estimate of pipeline premiums written during the year that have not been notified in the financial year of US$ 4.4 million (2021: US$ 4.1 million).

Note 4: Management of Financial Risk

Financial Risk Management Objectives

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

The Club manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit and Risk Committee. Further details are set out in the Directors' Report.

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

The processes used to manage risks within the Club are unchanged from the previous period and are set out in the Directors' Report.

Note 4: Management of Financial Risk (continued)

(a) Market risk

(i) Interest rate risk

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

TT Club's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholder liabilities. Interest rate risk is then monitored by comparing the mean duration of the investment portfolio against the mean duration of policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Results of the sensitivity testing are set out below, showing the impact on the market value of investments. The impact of a change in a single factor is shown as a 100 basis points increase or decrease in interest rates, with other assumptions unchanged.

	2022 US$000s	2021 US$000s
100 basis points increase in interest rates will decrease market value of investments by	**(7,172)**	(5,300)
100 basis points decrease in interest rates will increase market value of investments by	**7,172**	5,300

(ii) Investment price risk

TT Club is exposed to price risk as a result of its equity investments. TT Club's investment policy sets limits on TT Club's exposure to equities.

(b) Currency risk

The Club is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US dollar. The most significant currencies to which the Club is exposed to are GBP and EUR, which are translated into the functional currency of USD. From time to time the Club uses forward currency contracts or options to protect against adverse in year exchange movements.

The table on the following page shows the Club's assets and liabilities by currency. The Club seeks to mitigate such currency risk by matching the currency denominations of financial investments against the estimated foreign currency denominations of liabilities.

Notes to the Consolidated Financial Statements (continued)

Note 4: Management of Financial Risk (continued)

(b) Currency risk (continued)

2022	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	450,334	11,904	2,394	–	464,632
Equity shares	32,627	11,148	8,132	–	51,907
UCITS	7,140	3,284	–	–	10,424
Derivative financial instruments	1,248	–	–	–	1,248
Assets arising from reinsurance contracts held	130,818	2,273	983	2,062	136,136
Debtors arising from insurance contracts	56,967	3,508	8,550	3,364	72,389
Other debtors	252	(302)	273	187	410
Cash at bank	20,153	6,396	2,401	29,824	58,774
Other	13,258	486	65	719	14,528
Total assets	**712,797**	**38,697**	**22,798**	**36,156**	**810,448**
Total liabilities	(427,155)	(5,759)	(51,087)	(64,950)	(548,951)
Net assets	**285,642**	**32,938**	**(28,289)**	**(28,794)**	**261,497**

2021	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	381,650	9,250	50,759	–	441,659
Equity shares	39,478	13,455	13,238	–	66,171
UCITS	8,636	–	–	–	8,636
Derivative financial instruments	4	–	–	–	4
Assets arising from reinsurance contracts held	108,728	–	660	2,237	111,625
Debtors arising from insurance contracts	53,104	943	6,160	4,298	64,505
Other debtors	87	124	127	109	447
Cash at bank	26,560	2,021	649	22,823	52,053
Other	9,327	247	79	789	10,442
Total assets	**627,574**	**26,040**	**71,672**	**30,256**	**755,542**
Total liabilities	(401,503)	(8,239)	(51,175)	(38,763)	(499,680)
Net assets	**226,071**	**17,801**	**20,497**	**(8,507)**	**255,862**

As at year end, the currency split of TT Club's claims estimates was as follows: US$ 321.8 million in USD and currencies pegged to the USD (2021: US$ 271.1 million), US$ 11.2 million in GBP (2021: US$ 10.4 million), US$ 50.9 million in EUR (2021: US$ 50.9 million) and US$ 42.3 million in other currencies (2021: US$ 36.9 million).

Results of the sensitivity testing are set out below, showing the impact on surplus before tax. The impact of a change in a single factor is shown as a 5% weakening or strengthening in GBP and EUR against USD, with other assumptions unchanged.

	2022 US$000s	2021 US$000s
5% weakening of USD against GBP will increase surplus before tax by	**1,568**	850
5% strengthening of USD against GBP will decrease surplus before tax by	**(1,568)**	(850)
5% weakening of USD against EUR will increase surplus before tax by	**1,347**	1,000
5% strengthening of USD against EUR will decrease surplus before tax by	**(1,347)**	(1,000)

Note 4: Management of Financial Risk (continued)

(c) Credit risk

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

- Amounts due from policyholders;
- Amounts due from insurance intermediaries;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from reinsurers in respect of claim estimates not yet paid;
- Amounts due from corporate bond issuers; and
- Counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge TT Club's liability as primary insurer. If a reinsurer fails to pay a claim, TT Club remains liable for the payment to the policyholder. The creditworthiness of a reinsurer is considered before it is used and strict criteria are applied (including the financial strength of the reinsurer) before a reinsurer is approved.

Counterparty limits based on credit ratings are also in place in relation to amounts due from bond issuers and cash and bank deposits.

The following tables provide information regarding aggregated credit risk exposure, for financial assets with external credit ratings. The credit ratings are sourced from independent ratings agencies.

2022	AAA US$000s	AA US$000s	A US$000s	BBB+ and lower or unrated US$000s	Total US$000s
Debt securities	20,860	420,858	22,914	–	464,632
Equity shares	–	–	–	51,907	51,907
UCITS	–	–	10,424	–	10,424
Derivative financial instruments	–	–	–	1,248	1,248
Assets arising from reinsurance contracts held	–	81,107	36,966	18,063	136,136
Debtors arising from insurance contracts	–	–	–	72,389	72,389
Other debtors	–	–	–	410	410
Cash at bank	–	18,969	39,449	356	58,774
Other	–	–	–	14,528	14,528
Total assets bearing risk	**20,860**	**520,934**	**109,753**	**158,901**	**810,448**

2021	AAA US$000s	AA US$000s	A US$000s	BBB+ and lower or unrated US$000s	Total US$000s
Debt securities	93,192	322,036	26,431	–	441,659
Equity shares	–	–	–	66,171	66,171
UCITS	–	–	8,636	–	8,636
Derivative financial instruments	–	–	–	4	4
Assets arising from reinsurance contracts held	–	74,056	27,898	9,671	111,625
Debtors arising from insurance contracts	–	–	–	64,505	64,505
Other debtors	–	–	–	447	447
Cash at bank	–	28,283	23,700	70	52,053
Other	–	–	–	10,442	10,442
Total assets bearing risk	**93,192**	**424,375**	**86,665**	**151,310**	**755,542**

Note 4: Management of Financial Risk (continued)

(c) Credit risk (continued)

The Club's policy is to make a full provision against all reinsurance debts with an age in excess of two years and a fifty percent provision for reinsurance debts between one and two years old. The Club also provides against all amounts due from policyholders and insurance intermediaries that are more than nine months overdue.

After assessing all other financial assets at the end of the year, no objective evidence was found to suggest that any were impaired (2021: no impairments).

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost.

TT Club maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. At year end, TT Club's short term deposits (comprising cash and UCITS) amounted to US$ 69.2 million (2021: US$ 60.7 million).

The tables below provide an overdue and impaired analysis of TT Club's risk-bearing assets.

		Past due but not impaired					
2022	**Neither past due nor impaired US$000s**	**0 to 3 months US$000s**	**3 to 6 months US$000s**	**6 months to 1 year US$000s**	**1 year or greater US$000s**	**Impaired US$000s**	**Carrying value in the balance sheet US$000s**
Debt securities	464,632	–	–	–	–	–	464,632
Equity shares	51,907	–	–	–	–	–	51,907
UCITS	10,424	–	–	–	–	–	10,424
Derivative financial instruments	1,248	–	–	–	–	–	1,248
Assets arising from reinsurance contracts held	136,136	–	–	–	–	–	136,136
Debtors arising from insurance contracts	62,695	6,915	2,779	–	–	–	72,389
Other debtors	410	–	–	–	–	–	410
Cash at bank	58,774	–	–	–	–	–	58,774
Other	14,528	–	–	–	–	–	14,528
Total assets bearing risk	**800,754**	**6,915**	**2,779**	**–**	**–**	**–**	**810,448**

		Past due but not impaired					
2021	**Neither past due nor impaired US$000s**	**0 to 3 months US$000s**	**3 to 6 months US$000s**	**6 months to 1 year US$000s**	**1 year or greater US$000s**	**Impaired US$000s**	**Carrying value in the balance sheet US$000s**
Debt securities	441,659	–	–	–	–	–	441,659
Equity shares	66,171	–	–	–	–	–	66,171
UCITS	8,636	–	–	–	–	–	8,636
Derivative financial instruments	4	–	–	–	–	–	4
Assets arising from reinsurance contracts held	111,625	–	–	–	–	–	111,625
Debtors arising from insurance contracts	54,866	6,616	3,023	–	–	–	64,505
Other debtors	447	–	–	–	–	–	447
Cash at bank	52,053	–	–	–	–	–	52,053
Other	10,442	–	–	–	–	–	10,442
Total assets bearing risk	**745,903**	**6,616**	**3,023**	**–**	**–**	**–**	**755,542**

Notes to the Consolidated Financial Statements (continued)

Note 4: Management of Financial Risk (continued)

(d) Liquidity and cash flow risk (continued)

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

2022	**Under 6 months or on demand US$000s**	**Between 6 months and 1 year US$000s**	**Between 1 and 2 years US$000s**	**Between 2 and 5 years US$000s**	**5 years or greater US$000s**	**Total US$000s**
Debt securities	134,583	25,851	195,843	77,253	31,102	464,632
Equity shares	51,907	–	–	–	–	51,907
UCITS	10,424	–	–	–	–	10,424
Derivative financial instruments	1,248	–	–	–	–	1,248
Reinsurers' share of claims outstanding	18,197	18,198	23,126	32,612	13,784	105,917
Assets arising from reinsurance contracts held	5,193	5,192	6,597	9,304	3,933	30,219
Debtors arising from insurance contracts	72,389	–	–	–	–	72,389
Other debtors	410	–	–	–	–	410
Cash at bank	58,774	–	–	–	–	58,774
Other	14,528	–	–	–	–	14,528
Total financial assets	**367,653**	**49,241**	**225,566**	**119,169**	**48,819**	**810,448**
Creditors	(122,722)	–	–	–	–	(122,722)
Claims outstanding	(73,230)	(73,231)	(93,062)	(131,237)	(55,469)	(426,229)
Total financial liabilities	(195,952)	(73,231)	(93,062)	(131,237)	(55,469)	(548,951)
Net financial assets	**171,701**	**(23,990)**	**132,504**	**(12,068)**	**(6,650)**	**261,497**

2021	**Under 6 months or on demand US$000s**	**Between 6 months and 1 year US$000s**	**Between 1 and 2 years US$000s**	**Between 2 and 5 years US$000s**	**5 years or greater US$000s**	**Total US$000s**
Debt securities	106,377	1,688	298,715	34,879	–	441,659
Equity shares	66,171	–	–	–	–	66,171
UCITS	8,636	–	–	–	–	8,636
Derivative financial instruments	4	–	–	–	–	4
Reinsurers' share of claims outstanding	14,470	14,470	17,632	24,912	8,773	80,257
Assets arising from reinsurance contracts held	5,655	5,655	6,891	9,737	3,430	31,368
Debtors arising from insurance contracts	64,505	–	–	–	–	64,505
Other debtors	447	–	–	–	–	447
Cash at bank	52,053	–	–	–	–	52,053
Other	10,442	–	–	–	–	10,442
Total financial assets	**328,760**	**21,813**	**323,238**	**69,528**	**12,203**	**755,542**
Creditors	(130,350)	–	–	–	–	(130,350)
Claims outstanding	(66,586)	(66,587)	(81,140)	(114,641)	(40,376)	(369,330)
Total financial liabilities	(196,936)	(66,587)	(81,140)	(114,641)	(40,376)	(499,680)
Net financial assets	**131,824**	**(44,774)**	**242,098**	**(45,113)**	**(28,173)**	**255,862**

Note 4: Management of Financial Risk (continued)

(e) Capital management

TT Club's capital is made up of policyholders' funds (surplus and reserves). TT Club's strategy is to maintain sufficient capital to meet regulatory requirements and to maintain an AM Best financial strength rating of A-minus (Excellent) over the insurance market cycle, with a substantial reserve margin in each case. This is consistent with the Club's risk profile and the regulatory requirements of the business.

TT Club continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). Throughout the current year, TT Club complied with Solvency II regulations. The Club assesses and maintains the amount of capital in excess of the amount required to meet the risks that it faces based on a 99.5 per cent confidence level of solvency.

At year end, TT Club's total regulatory capital available amounted to US$ 261.3 million (2021: US$ 255.6 million).

At year end, TT Club received letters of credit totalling US$ 7.2 million from its reinsurers (2021: US$ 7.2 million). In the event of reinsurer failure, TT Club can draw upon these sums as cash to support its capital requirements.

(f) Fair value estimations

As a financial institution, TT Club applies the requirements of paragraph 34.22 of FRS 102. This requires financial instruments that held at fair value in the balance sheet to be disclosed according to the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1. Prices of recent transactions for identical instruments
- Level 3 – Valuation techniques using observable and unobservable market data

All of TT Club's financial assets that are measured at fair value at the year end fall into Level 2, with the exception of equity shares and UCITS which fall into Level 1.

Consolidated	**Level 1 US$000s**	**Level 2 US$000s**	**2022 Total US$000s**	Level 1 US$000s	Level 2 US$000s	2021 Total US$000s
Debt securities	**464,632**	**–**	**464,632**	441,659	–	441,659
Equity shares	**51,907**	**–**	**51,907**	66,171	–	66,171
UCITS	**10,424**	**–**	**10,424**	8,636	–	8,636
Derivative financial instruments	**–**	**1,248**	**1,248**	–	4	4
Financial assets held at fair value through profit and loss	**526,963**	**1,248**	**528,211**	516,466	4	516,470

Parent	**Level 1 US$000s**	**Level 2 US$000s**	**2022 Total US$000s**	Level 1 US$000s	Level 2 US$000s	2021 Total US$000s
Debt securities	**286,790**	**–**	**286,790**	280,921	–	280,921
Equity shares	**51,907**	**–**	**51,907**	66,171	–	66,171
UCITS	**724**	**–**	**724**	6,000	–	6,000
Derivative financial instruments	**–**	**1,248**	**1,248**	–	4	4
Financial assets held at fair value through profit and loss	**339,421**	**1,248**	**340,669**	353,092	4	353,096

Notes to the Consolidated Financial Statements (continued)

Note 4: Management of Financial Risk (continued)

(g) Insurance risk

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

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

	2022 US$000s	2021 US$000s
1% increase in net claims reserves will reduce surplus before tax by	**(3,203)**	(2,891)
1% decrease in net claims reserves will increase surplus before tax by	**3,203**	2,891

(i) Underwriting process

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

(ii) Reinsurance

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

(iii) Management of claims cost

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

(iv) Reserving process

TT Club establishes provisions for unpaid claims, both known outstanding loss reserves ("OSLR") and estimates of claims incurred but not reported ("IBNR"), plus related loss adjustment expenses ("LAE") to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in note 5(d) as directed and reviewed by the Boards. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior management, then approved by the reserving committee and the boards.

TT Club considers that the liability for insurance claims recognised in the Statement of Financial Position is adequate. However, actual experience will differ from the expected outcome.

Notes to the Consolidated Financial Statements (continued)

Note 5: Claims

(a) Claims paid

Claims paid include claims handling charges paid to the Managers totalling US$ 11.3 million (2021: US$ 10.8 million).

(b) Claims incurred

Consolidated	Gross US$000s	Ceded US$000s	2022 Net US$000s	Gross US$000s	Ceded US$000s	2021 Net US$000s
Claims outstanding at beginning of the year	**369,330**	**(80,257)**	**289,073**	321,049	(70,309)	250,740
Claims (paid)/received	**(115,004)**	**29,138**	**(85,866)**	(103,980)	26,983	(76,997)
Claims incurred/(recovered)	**180,111**	**(54,894)**	**125,217**	158,608	(36,980)	121,628
Exchange differences	**(8,209)**	**96**	**(8,113)**	(6,347)	49	(6,298)
Claims outstanding at end of the year	**426,228**	**(105,917)**	**320,311**	369,330	(80,257)	289,073

Parent Company	Gross US$000s	Ceded US$000s	2022 Net US$000s	Gross US$000s	Ceded US$000s	2021 Net US$000s
Claims outstanding at beginning of the year	**264,546**	**(3,643)**	**260,903**	230,133	(3,375)	226,758
Claims (paid)/received	**(76,864)**	**(663)**	**(77,527)**	(72,594)	2,493	(70,101)
Claims incurred/(recovered)	**112,668**	**533**	**113,201**	112,678	(2,761)	109,917
Exchange differences	**(7,381)**	**–**	**(7,381)**	(5,671)	–	(5,671)
Claims outstanding at end of the year	**292,969**	**(3,773)**	**289,196**	264,546	(3,643)	260,903

(c) Movement in prior year's provision for claims outstanding

Net prior year reserves strengthened during the year by US$ 9.6 million (2021: release of US$ 10.4 million).

(d) Claims development tables

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

(i) Assumptions underlying insurance balances

The risks associated with insurance contracts are complex and subject to a number of variables. The Club's claims reserving process uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and ultimate claim numbers. The key methods used by the Club in estimating claim liabilities are as follows and there have been no changes in these methods since the previous year end:

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

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

Note 5: Claims paid (continued)

(d) Claims development tables (continued)

(ii) Insurance claims - gross

Estimates of ultimate claims costs by policy years.

	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s	2018 US$000s	2019 US$000s	2020 US$000s	2021 US$000s	2022 US$000s
End of reporting year	138,007	104,326	140,464	123,738	132,620	138,946	138,942	138,586	159,049	169,405
1 year later	118,652	119,166	123,738	119,149	114,054	122,196	123,550	132,531	159,285	–
2 years later	104,326	103,435	122,370	117,031	109,590	122,042	121,562	132,755	–	–
3 years later	94,008	98,057	116,116	112,326	110,068	125,970	121,136	–	–	–
4 years later	91,789	100,776	113,221	110,458	108,293	132,004	–	–	–	–
5 years later	90,422	99,670	113,264	112,375	105,497	–	–	–	–	–
6 years later	85,614	101,126	112,872	109,766	–	–	–	–	–	–
7 years later	86,967	100,698	117,575	–	–	–	–	–	–	–
8 years later	86,759	100,297	–	–	–	–	–	–	–	–
9 years later	86,554	–	–	–	–	–	–	–	–	–
Ultimate claim estimates	86,554	100,297	117,575	109,766	105,497	132,004	121,136	132,755	159,285	169,405
Payments to date	84,361	96,511	110,534	104,642	95,054	102,010	86,807	64,424	56,312	17,303
Claim liabilities on SOFP	2,193	3,786	7,041	5,124	10,443	29,994	34,329	68,331	102,973	152,102
Total claim liabilities on the past nine years										416,316
Other claims liabilities on the prior years										9,912
Total claims outstanding included in Statement of Financial Position										426,228

(iii) Insurance claims - net

Estimates of ultimate claims costs by policy years.

	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s	2018 US$000s	2019 US$000s	2020 US$000s	2021 US$000s	2022 US$000s
End of reporting year	102,412	105,157	107,724	105,471	118,540	103,469	105,075	106,121	123,747	124,461
1 year later	91,986	91,383	102,382	98,323	101,968	91,910	92,742	104,899	119,815	–
2 years later	83,527	85,457	101,992	91,623	97,422	92,546	90,272	104,528	–	–
3 years later	80,218	87,672	96,631	92,844	96,215	93,756	88,151	–	–	–
4 years later	79,129	86,377	93,823	91,232	94,272	97,512	–	–	–	–
5 years later	75,918	85,662	93,618	90,892	91,196	–	–	–	–	–
6 years later	74,919	87,868	93,320	89,444	–	–	–	–	–	–
7 years later	76,078	87,180	95,855	–	–	–	–	–	–	–
8 years later	75,568	86,828	–	–	–	–	–	–	–	–
9 years later	75,586	–	–	–	–	–	–	–	–	–
Ultimate claim estimates	75,586	86,828	95,855	89,444	91,196	97,512	88,151	104,528	119,815	124,461
Payments to date	73,664	83,512	89,635	84,874	82,194	75,618	62,704	50,440	43,839	13,636
Claim liabilities on SOFP	1,922	3,316	6,220	4,570	9,002	21,894	25,447	54,088	75,976	110,825
Total claim liabilities on the past nine years										313,260
Other claims liabilities on the prior years										7,051
Total claims outstanding included in Statement of Financial Position										320,311

Note 6: Deferred acquisition costs

Consolidated	Gross 2022 US$000s	Gross 2021 US$000s
At beginning of the year	**9,274**	8,574
Acquisition costs of insurance contracts deferred	**2,492**	700
At end of the year	**11,766**	9,274

Parent Company	Gross 2022 US$000s	Gross 2021 US$000s
At beginning of the year	**1,133**	1,026
Acquisition costs of insurance contracts deferred	**770**	107
At end of the year	**1,903**	1,133

Note 7: Provision for unearned premium

	Gross		Reinsurers' share	
Consolidated	**2022 US$000s**	2021 US$000s	**2022 US$000s**	2021 US$000s
At beginning of the year	**99,317**	84,538	**27,427**	21,558
Premiums on in/reinsurance contracts deferred/(earned)	**6,805**	14,779	**(7,123)**	5,869
At end of the year	**106,122**	99,317	**20,304**	27,427

	Gross		Reinsurers' share	
Parent Company	**2022 US$000s**	2021 US$000s	**2022 US$000s**	2021 US$000s
At beginning of the year	**60,750**	50,471	**2,468**	0
Premiums on in/reinsurance contracts deferred/(earned)	**11,178**	10,279	**(191)**	2,468
At end of the year	**71,928**	60,750	**2,277**	2,468

Notes to the Consolidated Financial Statements (continued)

Note 8: Segmental information

The Club writes only marine and transport business.

(a) Gross premiums written by destination

	2022 US$000s	2021 US$000s
Policyholders/members located in the UK	**13,474**	11,766
Policyholders/members located in the EU	**43,647**	42,458
Policyholders/members located in the USA	**112,520**	98,885
Policyholders/members located elsewhere	**113,702**	109,878
	283,343	262,987

(b) Gross premiums written by destination and risk coverage

2022	**Policyholders located in the UK US$000s**	**Policyholders located in the EU US$000s**	**Policyholders located in the USA US$000s**	**Policyholders located elsewhere US$000s**	**Total US$000s**
Cargo	**367**	**2,079**	**5,247**	**1,205**	**8,898**
Containers and Chassis	**1,819**	**10,054**	**16,772**	**25,024**	**53,669**
Logistics	**5,196**	**12,410**	**57,042**	**35,330**	**109,978**
Ports and Terminals	**3,258**	**16,422**	**17,020**	**34,343**	**71,043**
Property	**2,631**	**2,019**	**16,133**	**8,310**	**29,093**
Other	**203**	**663**	**306**	**9,490**	**10,662**
	13,474	**43,647**	**112,520**	**113,702**	**283,343**

2021	Policyholders located in the UK US$000s	Policyholders located in the EU US$000s	Policyholders located in the USA US$000s	Policyholders located elsewhere US$000s	Total US$000s
Cargo	443	2,456	5,278	2,743	10,920
Containers and Chassis	1,609	11,528	15,458	21,533	50,128
Logistics	4,622	11,346	45,159	34,357	95,484
Ports and Terminals	2,654	14,041	17,478	28,794	62,967
Property	2,209	2,781	15,294	12,023	32,307
Other	229	306	218	10,428	11,181
	11,766	42,458	98,885	109,878	262,987

Notes to the Consolidated Financial Statements (continued)

Note 9: Net operating expenses

	2022 US$000s	2021 US$000s
Acquisition costs		
Brokerage and commission	**33,823**	27,590
Change in deferred acquisition costs (refer note 6)	**(2,492)**	(700)
Management fee in respect of underwriting	**19,224**	20,528
	50,555	47,418
Administrative expenses		
Management fee in respect of administration and performance related	**16,327**	21,908
General expenses	**5,438**	4,176
Directors' fee	**791**	760
Directors' travelling costs	**412**	46
Auditors' remuneration		
Parent company audit	**174**	175
Subsidiary company audit	**425**	411
Audit related assurance services	**79**	55
Non-audit services pursuant to legislation, audit of regulatory returns	**134**	150
	23,780	27,681
Commission income		
Commission on reinsurance contracts	**(11,338)**	(8,226)
Net operating expenses	**62,997**	66,873

Included within the current year's management fee is an additional fee paid to the Thomas Miller Holdings Limited group of companies ("Thomas Miller") of US$ 2.0 million in relation to a project to modernise TT Club's IT systems (2021: US$ 9.2 million).

The Club had no employees during the year (2021: none).

Notes to the Consolidated Financial Statements (continued)

Note 10: Investment return

	2022 US$000s	2021 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**6,768**	4,509
Unrealised (losses)/gains on market value movements	**(18,910)**	7,398
Realised gains on sales	**2,787**	5,851
	(9,355)	17,758
Investment expenses		
Investment management expenses	**(1,537)**	(1,445)
Investment return	**(10,892)**	16,313
Investment return is analysed between:		
Investment return allocated to the technical account	**(6,244)**	7,689
Investment return allocated to the non-technical account	**(4,648)**	8,624
	(10,892)	16,313

Notes to the Consolidated Financial Statements (continued)

Note 11: Tax on ordinary activities

(a) Analysis of tax charge on ordinary activities

	2022 US$000s	2021 US$000s
UK tax for the current period	**–**	(308)
Foreign tax for the current period	**(923)**	(500)
Adjustments in respect of prior periods	**(395)**	(1)
	(1,318)	(809)

(b) Reconciliation from statutory to effective tax rate

	2022 US$000s	2021 US$000s
Surplus on ordinary activities before tax	**6,954**	9,613
Tax at the Bermuda statutory rate of 0% (2021: 0%)	**–**	–
Tax levied outside Bermuda:		
United Kingdom	**–**	(308)
United States of America	**(923)**	(500)
Australia	**–**	–
Hong Kong	**–**	–
Singapore	**–**	–
	(923)	(808)
Adjustments in respect of prior periods:		
United Kingdom	**(53)**	(1)
United States of America	**(342)**	–
Australia	**–**	–
Hong Kong	**–**	–
Singapore	**–**	–
	(395)	(1)
Tax charge for the year	**(1,318)**	(809)

The taxation charge comprises a charge for UK taxation at 19% (2021: 19%) based on 10% of TT Club's investment return. The UK tax payable excludes investment returns already taxed in the taxable jurisdictions of the United States of America, Australia, Hong Kong and Singapore - which are levied at the statutory tax rates prevailing in the respective jurisdictions.

Notes to the Consolidated Financial Statements (continued)

Note 12: Shares in subsidiary undertakings

Name of subsidiary	Country of incorporation	Class of shares held	Principal activity	Proportion of shares held and voting rights
TT Club Mutual Insurance Limited	United Kingdom	N/A	General insurance and reinsurance	75% of Members' votes
TT (Bermuda) Services Limited	Bermuda	Ordinary	Intermediate holding company	90%

The opening and closing value of the investment in TT (Bermuda) Services Limited is US$ 12,000 (2021: US$ 12,000) in the Statement of Financial Position at year end, and as recorded in the parent company accounts.

The Directors consider the value of these investments to be supported by their underlying assets. No impairment is required.

Note 13: Other financial investments

The Club's financial investments are summarised below by measurement category:

	Carrying value		Purchase price	
Consolidated	**2022 US$000s**	2021 US$000s	**2022 US$000s**	2021 US$000s
Held at fair value through profit and loss:				
Debt securities	**464,632**	441,659	**471,153**	440,307
Equity shares	**51,907**	66,171	**49,596**	52,341
UCITS	**10,424**	8,636	**10,424**	8,636
Financial assets held at fair value through profit and loss	**526,963**	516,466	**531,173**	501,284

	Carrying value		Purchase price	
Parent Company	**2022 US$000s**	2021 US$000s	**2022 US$000s**	2021 US$000s
Held at fair value through profit and loss:				
Debt securities	**286,790**	280,921	**290,406**	279,709
Equity shares	**51,907**	66,171	**49,596**	52,341
UCITS	**724**	6,000	**724**	6,000
Financial assets held at fair value through profit and loss	**339,421**	353,092	**340,726**	338,050

The UCITS are Undertakings for Collective Investments of Transferable Securities, and are used as an alternative to short term cash deposits. UCITS are classified as cash equivalents as these are short term, highly liquid investments that can be readily converted into cash.

The debt securities with a maturity of less than one year total US$ 160.4 million (2021: US$ 108.1 million) with the remainder recoverable within one year or more.

Note 14: Derivative financial instruments

(a) Hedged fair value derivatives

The Club uses forward currency contracts to hedge the foreign exchange risks of converting USD to GBP that it is exposed to on future management fees payable in GBP.

The forward currency contracts taken out to hedge against the future management fee payments have been designated as fair value hedges. As a result, both the fair value of the contracts and the hedged item are shown on the Statement of Financial Position, with the mark-to-market gain or loss shown in the Income Statement.

(b) Unhedged derivatives

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

Consolidated - 2022	**Contract/ notional amount US$000s**	**Fair value asset US$000s**	**Fair value liability US$000s**	**Fair value per accounts US$000s**
Unhedged derivatives	**523**	**–**	**1,219**	**1,219**
Hedged fair value derivatives	**72,907**	**4,077**	**(4,048)**	**29**
Total derivatives	**73,430**	**4,077**	**(2,829)**	**1,248**

Consolidated - 2021	Contract/ notional amount US$000s	Fair value asset US$000s	Fair value liability US$000s	Fair value per accounts US$000s
Unhedged derivatives	8,383	4	–	4
Hedged fair value derivatives	68,928	3,165	(3,310)	(145)
Total derivatives	77,311	3,169	(3,310)	(141)

Parent Company - 2022	**Contract/ notional amount US$000s**	**Fair value asset US$000s**	**Fair value liability US$000s**	**Fair value per accounts US$000s**
Unhedged derivatives	**523**	**–**	**1,219**	**1,219**
Hedged fair value derivatives	**72,907**	**4,077**	**(4,048)**	**29**
Total derivatives	**73,430**	**4,077**	**(2,829)**	**1,248**

Parent Company - 2021	Contract/ notional amount US$000s	Fair value asset US$000s	Fair value liability US$000s	Fair value per accounts US$000s
Unhedged derivatives	8,383	4	–	4
Hedged fair value derivatives	68,928	3,165	(3,310)	(145)
Total derivatives	77,311	3,169	(3,310)	(141)

Note 15: Guarantees and commitments

At the year end, TT Club issued letters of credit totalling US$ 33.8 million for the benefit of regulators, policyholders and cedants (2021: US$ 26.2 million). Collateral pledged to support the letters of credits issued to regulators, policyholders and cedants amount to US$ 45.8 million (2021: US$ 40.2 million).

The Club has issued a parental guarantee, not to exceed US$ 2.5 million (2021: US$ 2.5 million), to its wholly-owned subsidiary, TT Club Mutual Insurance Limited to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn at year end amounted to US$ nil (2021: US$ nil).

Note 16: Related party transactions

(a) TT Club Mutual Insurance Limited ("TTI")

The Club reinsures its subsidiary, TT Club Mutual Insurance Limited ("TTI"), under a 90% whole account quota share agreement. All transactions and balances of TT Club Mutual Insurance Limited ("TTB") are included within the consolidated financial statements.

Transactions and balances on the quota share agreement

Income Statement	**2022 US$000s**	2021 US$000s
Written premiums ceded by TTI to TTB	**148,200**	136,400
Recoveries on paid claims received by TTI from TTB	**75,054**	62,300
Commissions received by TTI from TTB	**25,054**	29,200

Statement of Financial Position		
Reinsurers' share of provision for unearned premiums ceded by TTI to TTB	**57,535**	50,300
Reinsurers' share of provision for outstanding claims recovered by TTI from TTB	**280,035**	253,500

(b) Thomas Miller (Bermuda) Limited

Through Transport Mutual Insurance Association Limited is managed by Thomas Miller (Bermuda) Limited. Under this arrangement, all day-to-day operations of the Club are outsourced to Thomas Miller (Bermuda) Limited. Total fees paid to Thomas Miller (Bermuda) Limited and related companies are disclosed in note 9.

At the year end, the outstanding management fees payable to Thomas Miller (Bermuda) Limited amounted to US$ 2.4 million (2021: US$ 3.8 million). Other than the management fees disclosed, no further payments were made to Thomas Miller (Bermuda) Limited, its related companies, or its Directors.

Note 17: Retirement benefits and similar obligations

TT Club Mutual Insurance Limited manages a defined benefit pension scheme which was taken over following the acquisition of Scottish Boatowners in 2017. The fair value of plan assets at the year end are GBP 180,000 (2021: GBP 266,000) and the defined benefit obligation is GBP 133,000 (2021: GBP 221,000) and all movements in the year are immaterial for further disclosure.

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