

Financial highlights

For the year ended 31 December 2022

TT CLUB
IS MANAGED
BY **THOMAS
MILLER**



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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 91 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 91 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

Financial Highlights

for the year ended 31 December 2022

A-
(excellent)

AM Best financial strength rating

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

91%

Financial year combined ratio / %

(2021 = 95) Total claims and expenses divided by net earned premiums, excluding exchange movements, quota share reinsurance and exceptional items

115.0

Gross paid claims / US\$ million
(2021 = 104.0)

276.5

Gross earned premiums / US\$ million
(2021 = 248.2)

-2.1%

Underlying investment return / %
(2021 = 3.6)

5.6

Net result / US\$ million
(2021 = 8.8)

261.5

Total surplus and reserves / US\$ million
(2021 = 255.9)

94%

Member retention / %
(2021 = 97) Based on gross written premium

Five-year Summary

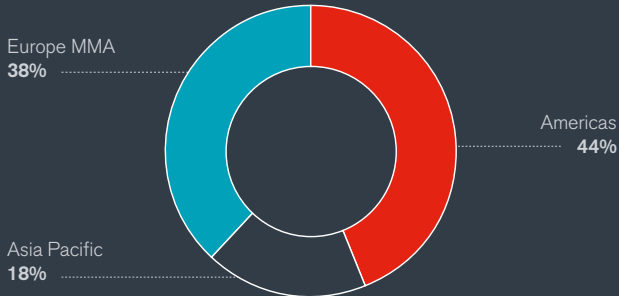
	2018 US\$000s	2019 US\$000s	2020 US\$000s	2021 US\$000s	2022 US\$000s
Gross earned premiums	194,983	206,178	220,431	248,208	276,538
Brokerage and commission	(22,842)	(24,285)	(26,680)	(26,890)	(31,331)
Gross earned premiums, net of brokerage and commission	172,141	181,893	193,751	221,318	245,207
Reinsurance premiums ceded	(56,876)	(59,519)	(55,303)	(64,584)	(70,035)
Net claims incurred	(71,354)	(82,893)	(87,125)	(121,628)	(125,217)
Net operating expenses	(30,691)	(46,509)	(41,495)	(39,983)	(31,666)
Investment return	4,911	22,870	12,770	16,313	(10,892)
Reversal of negative goodwill	0	3,625	0	0	0
Exchange gains/(losses)	(985)	(2,561)	(87)	(1,344)	30
Interest payable	(589)	(502)	(442)	(479)	(473)
Taxation	(97)	(383)	(552)	(809)	(1,318)
Surplus for the year	16,460	16,021	21,517	8,804	5,636

Summary balance sheets

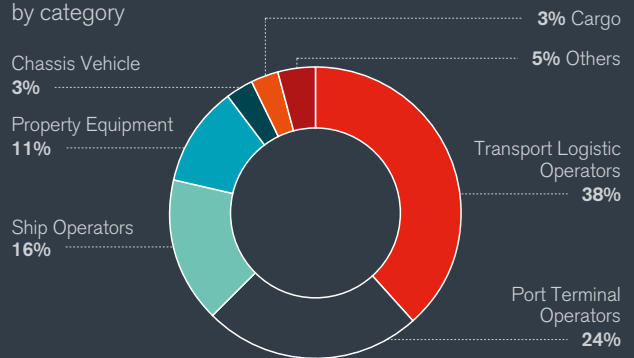
Total cash and investments	483,773	487,815	523,495	568,523	587,033
Other assets	135,574	145,961	161,808	187,019	223,415
Total assets	619,347	633,776	685,303	755,542	810,448
Gross unearned premiums and claims reserves	(377,122)	(382,249)	(405,587)	(468,647)	(532,350)
Other liabilities	(32,705)	(25,986)	(32,658)	(31,033)	(16,600)
Total surplus and reserves	209,520	225,541	247,058	255,862	261,498

Comparative Figures

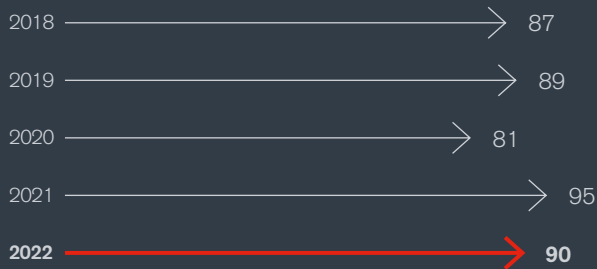
Gross written premiums by region



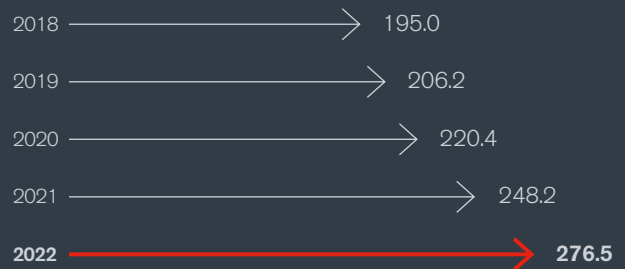
Gross written premiums by category



90% Combined ratio / %
(excluding exceptional items)



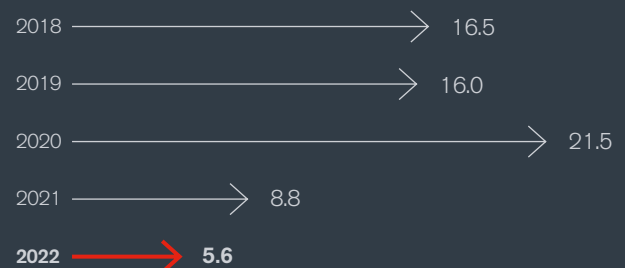
276.5 Gross earned premiums
US \$ millions



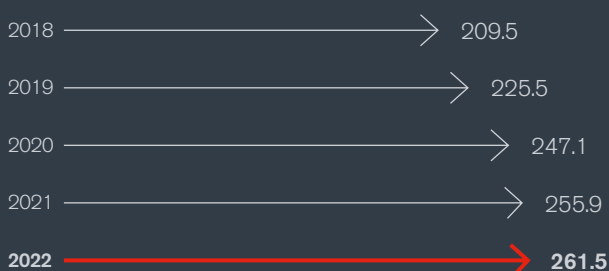
-2.1% Investment return / %
(before investment management fees)



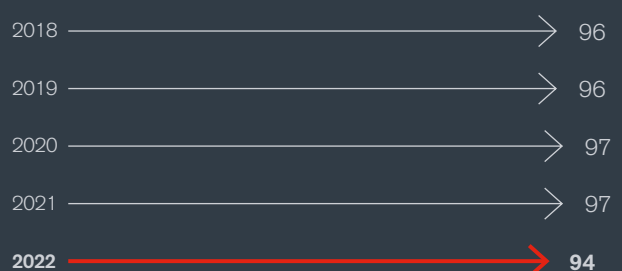
5.6 Net result
US \$ millions



261.5 Surplus and reserves
US \$ millions



94% Member retention / %
(based on gross written premium)



Board of Directors

As of 30 April 2023

CHAIRMAN



U Kranich**
Hamburg

DEPUTY CHAIRMAN



J Küttel**
Luzern

DIRECTORS



A Abbott*
Atlantic
Container Line,
New York



U Baum**
Röhlig Logistics,
Bremen



G Benelli*
Specialist
Director
(Investment)



H-J Bertschi*
Bertschi Group,
Dürrenäsch



J Chambers*
Specialist
Director
(Underwriting)



YI Chang*
Evergreen
Group,
Taipei



X Chen*
COSCO
Container Line,
Shanghai



M d'Orey*
Orey Shipping,
Lisbon



S Edwards*
Virginia Port
Authority,
Norfolk



M Engelstoff**
Genoa



T Faries*
Appleby,
Bermuda



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



A Fullbrook*
OEC Group,
New York



M Hine**
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**
Through
Transport Mutual
Services (UK) Ltd,
London



R Owens*
Nautilus
International
Holding
Corporation,
Long Beach



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



N Smedegaard**
DFDS Group,
Copenhagen



K Svendsen*
A P Møller-
Maersk,
Copenhagen



S Tranantasin*
RCL Group,
Bangkok



S Vernon*
Triton
International,
Bermuda

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

Directors of TT Club Mutual Insurance Ltd (TTI)

