Moving forwards stronger, Together

TT Club Mutual Insurance Limited
Annual Report and Financial Statements
For the year ended 31 December 2022

TT CLUB IS MANAGED BY **THOMAS MILLER**

Contents

TT CLUB MUTUAL INSURANCE LIMITED

Directors and Management

CHAIRMAN

U Kranich [3]	Hamburg

DEPUTY CHAIRMAN

J Küttel [3]	Luzern

DIRECTORS

U Baum [3]	Röhlig Logistics, Bremen
J Chambers [2] (appt. 23 June 2022)	Specialist Director – Underwriting
J Chowdhury (retd. 31 July 2022)	Through Transport Mutual Services (UK) Ltd, London
M Engelstoft [1, 2, 3] (appt. 12 October 2022)	Genoa
C Fenton	Through Transport Mutual Services (UK) Ltd, London
M Hine [1, 2]	Specialist Director – Finance
E Ong (appt. 1 August 2022)	Through Transport Mutual Services (UK) Ltd, London
M Onslow [2] (retd. 23 June 2022)	Specialist Director - Underwriting
D Robinson MBE [1, 2]	PD Ports, Middlesbrough
N Smedegaard	DFDS Group, Copenhagen

[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

Registered Office	90 Fenchurch Street London EC3M 4ST United Kingdom
Company Registration Number	2657093
Managers and Company Secretary	Through Transport Mutual Services (UK) Limited Telephone +44 20 7204 2626
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside, London, SE1 2RT United Kingdom

Strategic Report

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

Business review

The principal activities of TT Club Mutual Insurance Limited ("TTI") 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.

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

Strategy and values

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

TTI has entered into a 90% quota share reinsurance contract with TTB. The reinsurance contract also includes a stop loss element which kicks in at a 105% ultimate loss ratio to protect TTI from an excess accumulation of claims within its 10% retention.

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

TTI's financial strategy, approved by the Board, is to maintain within the business sufficient capital to meet regulatory requirements, and to maintain an AM Best rating of A-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.

TTI'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$ 62.0m	US$ 66.6m
Underwriting result profit/(loss)	US$ 1.5m	US$ (0.5)m
Investment (loss)/gain	US$ (2.8)m	US$ 0.9m
Deficit after tax	US$ (4.7)m	US$ (2.9)m

Strategic Report
(continued)

The business is conscious of its environmental responsibility and continues to invest in electronic claims handling and underwriting systems designed to increase efficiency and reduce reliance on paper-based records.

Principal Risks and Uncertainties

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

Ukraine

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

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

TTI continues to adhere to all prevailing sanctions imposed by the US, UK and EU against Russia and Belarussia.

Environmental, social and governance ("ESG")

The Directors are of the opinion that the environmental impact of TTI's activities is low, as it has no employees nor physical infrastructure. TTI's core management and business activities are outsourced to Thomas Miller.

During the year, TTI issued an ESG Statement on its website which articulates its ESG framework. TTI also became a signatory of the UN Principles for Sustainable Insurance where it committed itself to several actions.

KPIs relating to environmental matters are being developed. The business is, however, conscious of its environmental responsibility, and continues to invest in electronic claims handling and underwriting systems designed to increase efficiency and reduce reliance on paper-based records. It has also invested in website technology in order to facilitate electronic distribution of its products and information to Members, brokers, suppliers and third parties.

The Directors have also included a scenario within the Own Risk and Solvency Assessment ("ORSA") to model the impact of climate change on TTI's underwriting and investment performance. The scenario included an increase in the frequency of large property losses from windstorms, increased reinsurance costs and a fall in investment return. TTI continues to develop its approach to the management of climate related-financial risks.

Charitable donations

During the year there were charitable donations of US$ 4,962 (2021: $14,300).

Strategic Report

(continued)

Directors' duty to promote the success of the company

The Directors are fully aware of their responsibility to promote the success of the company in accordance with section 172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

The TT Club's 3-year Business Plan (which incorporates that of TTI's) 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, TTI 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 TTI provides to its Members is derived from the depth of expertise within the organisation. This expertise will be applied to ensure TTI 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 TTI, TTI'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).

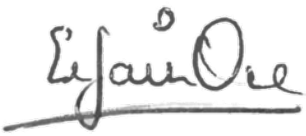
The delivery of TTI's mission is core to maintaining the success of the company. The Board has a strategic objective of maintaining TTI's financially stable platform, from which to provide risk management and loss prevention services to the industry. This continues to be achieved and is supported by the affirmation of TTI'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 TTI's loss prevention activities which benefit the Members, providing input and direction on key initiatives.

TTI 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. TTI 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.

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

By approval of the Board.



Through Transport Mutual Services (UK) Ltd

Company Secretary

29 March 2023

Directors' Report

Directors and Officers

The names of the Directors of TTI 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 Board of Directors has effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of TTI 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 TTI. The cost of the insurance is included in net operating expenses.

Board of directors' meetings

The Board of TTI met formally on nine occasions during the year, with its main focus being to direct the operations of underwriting, the outwards reinsurance programme, loss prevention, claims management including reserving, information technology, general administration and on major projects. The Board also monitored performance against budgets or reforecasts.

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

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

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

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.

Principal risks

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

Insurance risk

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

- Inaccurate pricing of risk when underwritten.
- Inadequate 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 new business by two 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.

TTI'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.

Appropriate operational policies and procedures covering all aspects of the business have been embedded through the organisation.

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.

Streamlined Energy and Carbon Reporting ("SECR")

TTI falls under the scope of the SECR requirements based on its turnover and balance sheet total. The Directors have determined that TTI is a low energy user as it has no employees nor physical infrastructure. As noted earlier, the Club's core management and business activities are outsourced to Thomas Miller. Thomas Miller covers this disclosure. For these reasons the Directors have not included information in relation to TTI's energy and carbon usage.

Future Developments

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

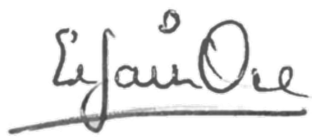
Statement of disclosure of information to auditors

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 TTI'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 TTI'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.



Through Transport Mutual Services (UK) Ltd
Company Secretary
29 March 2023

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

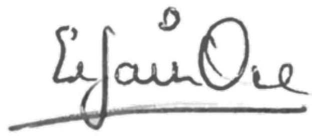
Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By approval of the Board.



Through Transport Mutual Services (UK) Ltd

Company Secretary

29 March 2023

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Income and Retained Earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 9, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Gross technical provisions - Claims outstanding. Reserving methodology and subjectivity in key reserving assumptions.

Materiality

- Overall materiality: US$ 3,079,500 (2021: US$ 3,331,100) based on 5% of Surplus and Reserves.
- Performance materiality: US$ 2,323,100 (2020: US$ 2,505,000).

The scope of our audit

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

Independent Auditors’ Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Gross technical provisions - Claims outstanding. *Reserving methodology and subjectivity in key reserving assumptions* See notes 2(d), 2(e), 3 and 5 of the financial statements for disclosures of related accounting policies, judgments and estimates. Claims oustanding is a material balance within the financial statements. Its determination has a significant impact on the financial result and there is a high degree of complexity and judgement involved in determining the estimate. The reinsurance arrangements are not complex in nature and hence not considered a significant risk. In particular we focused on: (1) Degree of consistency in the reserving philosophy across reserving classes, including factors such as speed of case reserving and reserving for major issues; (2) Key judgements and assumptions made by management in the reserving process; (3) The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year; (4) The process and governance surrounding the final selection of incurred but not reported reserves made by management; and (5) Appropriateness of the margin added to the actuarial best estimate of claims reserves, to provide for the risk of adverse development in the claims recognised. The appropriate margin to recognise is a judgement taken by management, based on the perceived uncertainty and potential for volatility in the underlying claims.	• We understood, assessed and tested the design effectiveness of key controls over the estimation of claims outstanding reserves, which included controls over the extraction of data from the underlying systems and the review and approval of the claims outstanding reserves. • We have assessed the degree of consistency in the reserving philosophy adopted by management to support the methodology and assumptions used. • We tested, on a sample basis, the completeness and accuracy of the underlying data used in the actuarial calculations to supporting documentation. • In order to challenge management’s methodology and assumptions, we were assisted by our actuarial specialist team members who assessed the reserve estimates based on our evaluation of the methodology, assumptions and judgements made for the most significant classes. The actuaries also performed key indicator testing over the remaining classes to identify and follow up any anomalies. Applying our industry knowledge and experience, our assessment considered whether the methodology and assumptions were in line with recognised actuarial techniques and best practices. • We investigated the inflation loading applied by management and validated this based on our market knowledge and recent developments in the UK macroeconomic environment. • We assessed the consistency of management’s approach to the margin and its appropriateness in accordance with the business experience. • We examined prior year development to assess previous estimates and to infer the appropriateness of current year estimates. Based on the work performed we concluded that the methodologies and assumptions taken in setting the claims reserves were reasonable.

Independent Auditors’ Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

How we tailored the audit scope

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

All operations of TT Club Mutual Insurance Limited were in the scope of our audit.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the governance and process adopted to assess the extent of the potential impact of climate risk on the company’s financial statements and support the disclosures made within the Annual Report.

In addition to enquiries with management, we also read the company’s climate risk assessment documentation, reviewed board minutes and considered disclosures in the annual report in relation to climate change in order to assess the completeness of management’s climate risk assessment.

We have assessed the risks of material misstatement to the Annual Report as a result of climate change and concluded that for the year ended 31 December 2022, the main audit risks are related to disclosures included within the “Environmental, social and governance (ESG)” section of the Strategic Report.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

Materiality

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

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

Overall company materiality	US$3,097,500 (2021: US$3,331,100).
How we determined it	5% of Surplus and Reserves
Rationale for benchmark applied	The primary users of the financial statements are members and policyholders. The benchmark most applicable to the requirements of these users is the Surplus and Reserves balance. As a marine mutual, management’s main objective is to maintain adequate capital reserves, as opposed to the generation of profits to pay dividends and therefore, Surplus and Reserves is deemed to be the most appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to US$2,323,100 (2021: US$2,505,000) for the company financial statements.

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

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $309,700 (2021: $333,110) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Testing management's key assumptions within management's future forecasts, such as premium volumes and rates, net loss ratios, and investment returns;
- Assessing the company's current liquidity and capital solvency position, in addition to management's forecasts over liquidity and solvency; and
- Confirming the existence of cash and financial investment balances to assess the availability of liquid assets.

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

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

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

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

Reporting on other information

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

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

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

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

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We 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 inappropriate journal entries to manipulate revenues, claims and/or expenditures of the company, and management bias in accounting estimates and judgemental areas of the financial statements such as the reserving methodology and subjectivity in key reserving assumptions. Audit procedures performed by the engagement team included:

- Discussions with the Audit and Risk Committee, management, internal audit, and senior management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the company's whistleblowing register and the results of management's investigation of such matters;
- Inspecting key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing Board meeting and Audit and Risk Committee meeting minutes;
- Reviewing the company's internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

- Testing the valuation of the outstanding claims reserve as described in the related key audit matter below;
- Identifying and testing journal entries with unusual characteristics, such as journals with unusual account combinations, journals posted on behalf of senior management, and journals that appear to be inappropriately duplicated or reversed; and
- Tests which incorporated elements of unpredictability.

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

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

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

Use of this report

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

Independent Auditors' Report to the Members of TT Club Mutual Insurance Limited

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 21 June 2005 to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 31 December 2005 to 31 December 2022.

S. Jassi

Sundash Jassi (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2023

Statement of Income and Retained Earnings

for the year ended 31 December 2022

Technical account	Note	**2022 US$000s**	2021 US$000s
Gross premiums written	8	**250,307**	245,578
Reinsurance premiums ceded		**(204,871)**	(206,029)
Net premiums written		**45,436**	39,549
Change in provision for unearned premiums			
Gross	7	**(2,118)**	(13,784)
Reinsurers' share	7	**(441)**	12,686
		(2,559)	(1,098)
Net earned premiums		**42,877**	38,451
Claims paid			
Gross	5(b)	**(113,386)**	(93,874)
Reinsurers' share	5(b)	**105,047**	86,980
		(8,339)	(6,894)
Change in the provision for claims			
Gross		**(55,387)**	(59,656)
Reinsurers' share		**51,712**	54,840
		(3,675)	(4,816)
Net claims incurred		**(12,014)**	(11,710)
Net operating expenses	9	**(53,309)**	(56,392)
Commission income		**23,980**	29,148
Underwriting result		**1,534**	**(503)**
Allocated investment return transferred from the non-technical account		**(930)**	(581)
Balance on the technical account		**604**	**(1,084)**

Statement of Income and Retained Earnings

for the year ended 31 December 2022 (continued)

Non-technical account	Note	**2022 US$000s**	2021 US$000s
Balance on the technical account		**604**	(1,084)
Net investment returns			
Investment income		**1,931**	1,067
Realised (losses)/gains on investments		**(1,667)**	1,226
Unrealised losses on investments		**(3,045)**	(1,385)
	10	**(2,781)**	908
Allocated investment return transferred to the technical account	10	**930**	581
		(1,851)	1,489
Interest payable and financing costs		**(473)**	(479)
Exchange losses		**(1,625)**	(2,382)
Deficit on ordinary activities before tax		**(3,345)**	(2,456)
Tax on ordinary activities	11	**(1,318)**	(435)
Deficit for the year		**(4,663)**	**(2,891)**
Surplus and reserves at beginning of year	13	**66,622**	69,513
Deficit for the year	13	**(4,663)**	(2,891)
Surplus and reserves at end of year	13	**61,959**	**66,622**

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

The notes on pages 21 to 42 form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2022

Assets	Note	**2022 US$000s**	2021 US$000s
Investments			
Land and buildings		**48**	54
Other financial investments	12	**187,542**	163,374
		187,590	163,428
Reinsurers' share of technical provisions			
Provision for unearned premiums	7	**77,304**	77,745
Claims outstanding	5(b),5(d)	**383,503**	331,887
		460,807	409,632
Debtors			
Arising out of direct insurance operations		**63,085**	59,366
Arising out of reinsurance operations		**9,348**	3,662
Tax debtors		**112**	471
Other debtors		**405**	70
		72,950	63,569
Other assets			
Cash at bank		**52,109**	36,243
Retirement benefits and similar obligations	15	**57**	49
		52,166	36,292
Prepayments and accrued income			
Accrued interest		**781**	194
Deferred acquisition costs	6	**9,863**	8,140
Prepayments		**577**	443
		11,221	8,777
Total assets	4(b),4(c),4(d)	**784,734**	**681,698**

Statement of Financial Position

as at 31 December 2022 (continued)

Liabilities and reserves	Note	**2022 US$000s**	2021 US$000s
Surplus and reserves	13	**61,959**	66,622
Gross technical provisions			
Provision for unearned premiums	7	**93,470**	91,352
Claims outstanding	5(b),5(d)	**414,618**	360,058
		508,088	451,410
Creditors			
Arising from reinsurance operations		**62,482**	71,539
Other creditors including taxation and social security		**4,600**	1,690
Amounts due to group undertakings		**144,370**	87,298
		211,452	160,527
Other liabilities			
Accrued expenses and sundry creditors		**3,235**	3,139
Total liabilities and reserves		**784,734**	**681,698**

The notes on pages 21 to 42 form an integral part of these financial statements.

These financial statements on pages 17 to 42 were approved by the Board of Directors and authorised for issue on 29 March 2023. They were signed on its behalf by the Directors.

DIRECTORS

U Kranich **J Küttel**

Company Registered Number: 2657093

Notes to the Financial Statements

Note 1: Constitution

TT Club Mutual Insurance Limited (“TTI”) was incorporated in the United Kingdom as a mutual company limited by guarantee under the Companies Act 1985 on 24 October 1991. The liability of Members is limited to the supplementary premiums set by the Directors.

Under TTI’s Memorandum of Association, in the event of it being wound up, individual Members’ liabilities are limited to a maximum of £5. Under TTI’s Articles of Association, in the event of its liquidation, any net assets of TTI are to be distributed equitably amongst the Members.

Note 2 Accounting policies

(a) Basis of preparation and statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”), and the Companies Act 2006 and where appropriate, the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (The Regulations) relating to insurance companies.

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

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

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

TTI has taken advantage of the exemption not to prepare consolidated financial statements as its parent company prepares consolidated financial statements. No other exemptions have been taken.

The functional currency of TTI is considered to be United States Dollar (“US$”) because that is the currency of the primary economic environment in which TTI operates. The financial statement is also presented in US 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 Statement of Income.

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 TTI, where more information is generally available.

Both OSLR and IBNR include claims management costs which encompasses both allocated loss adjustment expenses ("ALAE") and unallocated loss adjustment expenses ("ULAE"). TTI takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

The best estimate of unreported claims on each policy year and the eventual outcome may vary from the original assessment. As a result of this inherent uncertainty, sophisticated estimation techniques are required to determine an appropriate provision. The estimate is made using a range of standard actuarial projection techniques, such as the Chain Ladder and 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 TTI with reinsurers, under which TTI is compensated for losses on one or more contracts issued by TTI and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Insurance contracts entered into by TTI under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk.

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

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(g) Reinsurance claim recoveries

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

Claim recoveries recognised in the Statement of Income 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 TTI's outward reinsurance programmes, on TTI's quota share outwards reinsurance with its parent company TTB, and on outward insurances arranged by TTI on behalf of Members and others. This commission income is recognised in the Statement of income on an earned basis and shown as a separate line item in the Statement of income. 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

TT 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 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 an annual basis and covers the cost of managing TTI.

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

(k) Investments in subsidiary undertakings

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

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(l) Financial assets

TTI 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 TTI, 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 Statement of Income. The movement in unrealised investment gains and losses includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

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

Loans and receivables

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

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.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(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.

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

(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 Statement of Income. Non-monetary assets and liabilities are carried at the exchange rate prevailing at the date of the transaction.

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

(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.

(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.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(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, TTI 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 TTI 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

TTI 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 TTI and its members.

TTI 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

TTI 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

TTI makes an estimate of pipeline premiums written during the year that have not been notified in the financial year of US$ 3.8 million (2021: US$ 4.1 million). Given the size of the amount the estimated uncertainty is limited.

Notes to the Financial Statements (continued)

Note 4: Management of Financial Risks

Financial risk management objectives

TTI 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.

TTI 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 Board of TTI is 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 TTI which are analysed as part of the Own Risk and Solvency Assessment ("ORSA") process.

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

(a) Market risk

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	**(3,102)**	(2,700)
100 basis points decrease in interest rates will increase market value of investments by	**3,102**	2,700

(b) Currency risk

TTI 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 TTI is exposed to are GBP and EUR, which are translated into the functional currency of USD. From time to time TTI uses forward currency contracts or options to protect against adverse in year exchange movements.

The table on the following page shows TTI's assets by currency. TTI 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 Financial Statements (continued)

Note 4: Management of Financial Risks (continued)

(b) Currency risk (continued)

2022	**USD US$000s**	**GBP US$000s**	**EUR US$000s**	**Other US$000s**	**Total US$000s**
Debt securities	177,842	–	–	–	177,842
UCITS	6,923	2,777	–	–	9,700
Assets arising from reinsurance contracts held	468,325	2,273	971	(1,414)	470,155
Debtors arising from insurance contracts	47,651	3,521	8,550	3,363	63,085
Other debtors	289	129	3	(16)	405
Cash at bank	13,759	6,132	2,393	29,825	52,109
Other	10,252	358	3	825	11,438
Total assets	725,041	15,190	11,920	32,583	784,734
Total liabilities	(612,654)	(9,740)	(50,786)	(49,595)	(722,775)
Net assets	**112,387**	**5,450**	**(38,866)**	**(17,012)**	**61,959**

2021	**USD US$000s**	**GBP US$000s**	**EUR US$000s**	**Other US$000s**	**Total US$000s**
Debt securities	160,738	–	–	–	160,738
UCITS	1,910	726	–	–	2,636
Assets arising from reinsurance contracts held	412,637	–	657	–	413,294
Debtors arising from insurance contracts	45,296	4,573	9,497	–	59,366
Other debtors	142	1	127	320	590
Cash at bank	12,750	1,067	634	21,792	36,243
Other	7,997	236	1	597	8,831
Total assets	641,470	6,603	10,916	22,709	681,698
Total liabilities	(507,682)	(11,919)	(51,136)	(44,339)	(615,076)
Net assets	**133,788**	**(5,316)**	**(40,220)**	**(21,630)**	**66,622**

Results of the sensitivity testing are set out below, showing the impact on deficit 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 decrease deficit before tax by	**260**	250
5% strengthening of USD against GBP will increase deficit before tax by	**(260)**	(250)
5% weakening of USD against EUR will decrease deficit before tax by	**1,851**	1,920
5% strengthening of USD against EUR will increase deficit before tax by	**(1,851)**	(1,920)

Note 4: Management of Financial Risks (continued)

(c) Credit risk

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

- 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 TTI's liability as primary insurer. If a reinsurer fails to pay a claim, TTI 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	7,035	169,129	1,678	–	177,842
UCITS	–	–	9,700	–	9,700
Assets arising from reinsurance contracts held	–	79,734	375,960	14,461	470,155
Debtors arising from insurance contracts	–	–	–	63,085	63,085
Other debtors	–	–	–	405	405
Cash at bank	–	13,715	38,197	197	52,109
Other	–	–	–	11,438	11,438
Total assets bearing risk	**7,035**	**262,578**	**425,535**	**89,586**	**784,734**

2021	**AAA US$000s**	**AA US$000s**	**A US$000s**	**BBB+ and lower or unrated US$000s**	**Total US$000s**
Debt securities	22,209	136,822	1,707	–	160,738
UCITS	–	—	2,636	–	2,636
Assets arising from reinsurance contracts held	–	72,300	335,523	5,471	413,294
Debtors arising from insurance contracts	–	–	–	59,366	59,366
Other debtors	–	–	–	590	590
Cash at bank	–	14,178	22,043	22	36,243
Other	–	–	–	8,831	8,831
Total assets bearing risk	**22,209**	**223,300**	**361,909**	**74,280**	**681,698**

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

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

Note 4: Management of Financial Risks (continued)

(d) Liquidity and cash flow risk

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

TTI 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, TTI's short term deposits (comprising cash and UCITS) amounted to US$ 61.8 million (2021: US$ 60.8 million).

The tables below provide an overdue and impaired analysis of TTI'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	177,842	–	–	–	–	–	177,842
UCITS	9,700	–	–	–	–	–	9,700
Assets arising from reinsurance contracts held	470,155	–	–	–	–	–	470,155
Debtors arising from insurance contracts	54,823	5,942	2,320	–	–	–	63,085
Other debtors	405	–	–	–	–	–	405
Cash at bank	52,109	–	–	–	–	–	52,109
Other	11,438	–	–	–	–	–	11,438
Total assets bearing risk	**776,472**	**5,942**	**2,320**	**–**	**–**	**–**	**784,734**

		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	160,738	–	–	–	–	–	160,738
UCITS	2,636	–	–	–	–	–	2,636
Assets arising from reinsurance contracts held	413,294	–	–	–	–	–	413,294
Debtors arising from insurance contracts	50,247	6,142	2,977	–	–	–	59,366
Other debtors	590	–	–	–	–	–	590
Cash at bank	36,243	–	–	–	–	–	36,243
Other	8,831	–	–	–	–	–	8,831
Total assets bearing risk	**672,579**	**6,142**	**2,977**	**–**	**–**	**–**	**681,698**

Notes to the Financial Statements (continued)

Note 4: Management of Financial Risks (continued)

(d) Liquidity and cash flow risk (continued)

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

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	34,363	12,058	90,978	28,191	12,252	177,842
UCITS	9,700	–	–	–	–	9,700
Reinsurers' share of claims outstanding	65,810	65,808	83,913	118,097	49,875	383,503
Assets arising from reinsurance contracts held	14,870	14,870	18,960	26,684	11,268	86,652
Debtors arising from insurance contracts	63,085	–	–	–	–	63,085
Other debtors	405	–	–	–	–	405
Cash at bank	52,109	–	–	–	–	52,109
Other	11,438	–	–	–	–	11,438
Total financial assets	**251,780**	**92,736**	**193,851**	**172,972**	**73,395**	**784,734**
Creditors	(308,157)	–	–	–	–	(308,157)
Claims outstanding	(71,149)	(71,149)	(90,721)	(127,678)	(53,921)	(414,618)
Total financial liabilities	(379,306)	(71,149)	(90,721)	(127,678)	(53,921)	(722,775)
Net financial assets	**(127,526)**	**21,587**	**103,130**	**45,294**	**19,474**	**61,959**

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	9,464	–	138,458	12,816	–	160,738
UCITS	2,636	–	–	–	–	2,636
Reinsurers' share of claims outstanding	113,372	48,000	58,656	82,781	29,078	331,887
Assets arising from reinsurance contracts held	27,808	11,774	14,388	20,305	7,132	81,407
Debtors arising from insurance contracts	59,366	–	–	–	–	59,366
Other debtors	590	–	–	–	–	590
Cash at bank	36,243	–	–	–	–	36,243
Other	8,831	–	–	–	–	8,831
Total financial assets	**258,310**	**59,774**	**211,502**	**115,902**	**36,210**	**681,698**
Creditors	(255,018)	–	–	–	–	(255,018)
Claims outstanding	(64,847)	(64,847)	(79,244)	(111,836)	(39,284)	(360,058)
Total financial liabilities	(319,865)	(64,847)	(79,244)	(111,836)	(39,284)	(615,076)
Net financial assets	**(61,555)**	**(5,073)**	**132,258**	**4,066**	**(3,074)**	**66,622**

Note 4: Management of Financial Risks (continued)

(e) Capital management

TTI's capital is made up of policyholders' funds (surplus and reserves). TTI's strategy is to maintain 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. This is consistent with TTI's risk profile and the regulatory requirements of the business.

TTI continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). Throughout the current year, TTI complied with Solvency II regulation. TTI 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, TTI's total regulatory capital available amounted to US$ 62.0 million (2021: US$ 66.5 million), which exceeded the UK Prudential Regulation Authority requirements.

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.

TTI has received a parental guarantee from its parent company, TTB, for an amount not to exceed US$ 2.5 million (2022: US$ 2.5 million, to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn as 31 December 2022 amounted to nil (2021: nil).

(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.

	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	**177,842**	**–**	**177,842**	160,738	–	160,738
UCITS	**9,700**	**–**	**9,700**	2,636	–	2,636
Financial assets held at fair value through profit and loss	**187,542**	**–**	**187,542**	163,374	–	163,374

Note 4: Management of Financial Risks (continued)

(g) Insurance Risk

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

Results of sensitivity testing are set out below, showing the impact on deficit 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 increase deficit before tax by	**(311)**	(282)
1% decrease in net claims reserves will decrease deficit before tax by	**311**	282

(i) Underwriting process

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

(ii) Reinsurance

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

(iii) Management of claims cost

Claims performance is monitored by senior management on a weekly basis through the use of management information and exception reports. Movements in notified claims costs are also monitored on a monthly basis with 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

TTI 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 the notes 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.

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

Note 5: Claims

(a) Claims paid

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

(b) Claims incurred

	Gross	Ceded	2022 Net	Gross	Ceded	2021 Net
	US$000s	**US$000s**	**US$000s**	US$000s	US$000s	US$000s
Claims outstanding at beginning of the year	**360,058**	**(331,887)**	**28,171**	306,751	(282,769)	23,982
Claims (paid)/recovered	**(113,386)**	**105,047**	**(8,339)**	(93,874)	86,980	(6,894)
Claims incurred	**168,773**	**(156,759)**	**12,014**	153,530	(141,820)	11,710
Exchange differences	**(827)**	**96**	**(731)**	(6,349)	5,722	(627)
Claims outstanding at end of the year	**414,618**	**(383,503)**	**31,115**	360,058	(331,887)	28,171

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

Net prior year reserves strengthened during the year by US$ 1.0 million (2021: release of US$ 0.8 million).

(d) Claims development tables

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

(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 (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	118,051	115,939	135,673	113,216	125,638	133,413	133,216	134,584	153,149	162,378
1 year later	100,649	102,323	120,229	113,931	108,682	118,051	113,818	128,560	154,392	–
2 years later	90,852	94,035	119,556	106,387	103,126	118,007	114,480	128,322	–	–
3 years later	87,935	96,489	111,222	109,533	103,756	122,104	114,387	–	–	–
4 years later	86,567	94,341	105,551	107,208	101,844	127,498	–	–	–	–
5 years later	84,352	94,525	108,546	107,138	99,082	–	–	–	–	–
6 years later	83,408	96,262	108,191	106,992	–	–	–	–	–	–
7 years later	84,759	95,849	113,073	–	–	–	–	–	–	–
8 years later	84,551	95,449	–	–	–	–	–	–	–	–
9 years later	84,313	–	–	–	–	–	–	–	–	–
Ultimate claim estimates	84,313	95,449	113,073	106,992	99,082	127,498	114,387	128,322	154,392	162,378
Payments to date	82,121	92,257	106,095	101,976	88,853	98,629	80,828	60,983	53,384	16,023
Claim liabilities on SOFP	2,191	3,192	6,978	5,016	10,229	28,869	33,559	67,339	101,008	146,355
Total claim liabilities on the past nine years										404,736
Other claims liabilities on the prior years										9,882
Total claims outstanding included in Statement of Financial Position										414,618

(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	10,179	10,181	10,273	10,015	11,215	9,922	8,559	10,282	11,881	11,893
1 year later	8,802	8,955	9,910	9,551	9,671	8,823	8,502	10,122	11,557	–
2 years later	7,881	8,165	9,925	9,966	9,114	8,880	8,356	10,050	–	–
3 years later	7,694	8,359	9,195	10,137	8,996	9,000	8,169	–	–	–
4 years later	7,584	8,175	8,640	9,981	8,779	9,332	–	–	–	–
5 years later	7,175	8,178	8,907	9,968	8,476	–	–	–	–	–
6 years later	7,079	8,315	8,870	9,882	–	–	–	–	–	–
7 years later	7,194	8,248	9,176	–	–	–	–	–	–	–
8 years later	7,143	8,213	–	–	–	–	–	–	–	–
9 years later	7,142	–	–	–	–	–	–	–	–	–
Ultimate claim estimates	7,142	8,213	9,176	9,882	8,476	9,332	8,169	10,050	11,557	11,893
Payments to date	6,950	7,933	8,559	9,431	7,595	7,227	5,682	4,722	4,118	1,261
Claim liabilities on SOFP	192	280	617	451	881	2,105	2,487	5,328	7,439	10,632
Total claim liabilities on the past nine years										30,412
Other claims liabilities on the prior years										703
Total claims outstanding included in Statement of Financial Position										31,115

Notes to the Financial Statements (continued)

Note 6: Deferred acquisition costs

	2022 US$000s	2021 US$000s
At beginning of the year	**8,140**	7,548
Acquisition costs of insurance contracts deferred	**1,723**	592
At end of the year	**9,863**	8,140

Note 7: Provision for unearned premium

	Gross		Reinsurers' share	
	2022 US$000s	2021 US$000s	**2022 US$000s**	2021 US$000s
At beginning of the year	**91,352**	77,568	**77,745**	65,059
Premiums on in/reinsurance contracts deferred/(earned)	**2,118**	13,784	**(441)**	12,686
At end of the year	**93,470**	91,352	**77,304**	77,745

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	**13,467**	11,961
Policyholders/members located in the EU	**43,626**	43,159
Policyholders/members located in the USA	**80,084**	81,282
Policyholders/members located elsewhere	**113,130**	109,176
	250,307	245,578

Note 8: Segmental information (continued)

(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**	**2,078**	**4,768**	**1,205**	**8,418**
Containers and Chassis	**1,818**	**10,049**	**15,489**	**25,012**	**52,368**
Logistics	**5,192**	**12,405**	**36,725**	**35,314**	**89,636**
Ports and Terminals	**3,257**	**16,413**	**11,580**	**34,326**	**65,576**
Property	**2,630**	**2,018**	**11,376**	**8,306**	**24,330**
Other	**203**	**663**	**146**	**8,967**	**9,979**
	13,467	**43,626**	**80,084**	**113,130**	**250,307**

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	450	2,496	5,003	2,788	10,737
Containers and Chassis	1,636	11,719	14,619	21,888	49,862
Logistics	4,698	11,533	29,996	34,924	81,152
Ports & Terminals	2,698	14,273	17,121	29,270	63,363
Property	2,245	2,827	14,517	12,221	31,810
Other	234	311	26	8,085	8,654
	11,961	43,159	81,282	109,176	245,578

Notes to the Consolidated Financial Statements (continued)

Note 9: Net operating expenses

	2022 US$000s	2021 US$000s
Acquisition costs		
Brokerage and commission	**28,647**	24,981
Change in deferred acquisition costs (refer note 6)	**(1,723)**	(592)
Management fee in respect of underwriting	**17,540**	15,901
	44,464	40,290
Administrative expenses		
Management fee in respect of administration and performance related	**12,268**	19,036
General expenses	**5,415**	4,180
Directors' fee	**446**	497
Directors' travelling costs	**412**	45
Auditors' remuneration		
Company audit	**425**	411
Audit related assurance services	**79**	55
Non-audit services pursuant to legislation, audit of regulatory returns	**84**	104
	19,129	24,328
Commission income		
Commission on reinsurance contracts	**(10,284)**	(8,226)
Net operating expenses	**53,309**	56,392

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 TTI's IT systems (2021: US$ 9.2 million).

TTI 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	**2,085**	1,410
Unrealised losses on market value movements	**(3,045)**	(1,385)
Realised (losses)/gains on sales	**(1,667)**	1,226
	(2,627)	1,251
Investment expenses		
Investment management expenses	**(153)**	(343)
Investment return	**(2,781)**	908
Investment return is analysed between:		
Investment return allocated to the technical account	**(930)**	(581)
Investment return allocated to the non-technical account	**(1,851)**	1,489
	(2,781)	908

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	**–**	(30)
Foreign tax for the current period	**(923)**	(405)
Adjustments in respect of prior periods	**(395)**	–
	(1,318)	(435)

(b) Reconciliation from statutory to effective tax rate

	2022 US$000s	2021 US$000s
Deficit on ordinary activities before tax	**(3,345)**	(2,456)
Tax at the United Kingdom statutory rate of 19% (2021: 19%)	**635**	467
Ordinary activities not subject to United Kingdom tax:		
Technical result not taxable in the United Kingdom (see note below)	**(635)**	(497)
	–	(30)
Tax levied outside the United Kingdom:		
United States of America	**(923)**	(405)
Australia	**–**	–
Hong Kong	**–**	–
Singapore	**–**	–
	(923)	(405)
Adjustments in respect of prior periods:		
United Kingdom	**(53)**	–
United States of America	**(342)**	–
Australia	**–**	–
Hong Kong	**–**	–
Singapore	**–**	–
	(395)	–
Tax charge for the year	**(1,318)**	(435)

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.

Note 12: Other financial investments

TTI's financial investments are summarised below by measurement category:

	Carrying value		Purchase price	
	2022 US$000s	2021 US$000s	**2022 US$000s**	2021 US$000s
Held at fair value through profit and loss:				
Debt securities	**177,842**	160,738	**180,747**	160,598
UCITS	**9,700**	2,636	**9,700**	2,636
Financial assets held at fair value through profit and loss	**187,542**	163,374	**190,447**	163,234

Note 13: Surplus and reserves

	2022 US$000s	2021 US$000s
Balance at beginning of year	**66,622**	69,513
Deficit on ordinary activities after tax	**(4,663)**	(2,891)
Balance at end of year	**61,959**	66,622

Note 14: Guarantees and commitments

At the year end, TTI 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).

Note 15: Retirement benefits and similar obligations

TTI 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.

Notes to the Consolidated Financial Statements (continued)

Note 16: Related party transactions

(a) Through Transport Mutual Insurance Association Limited ("TTB")

Through Transport Mutual Insurance Association Limited ("TTB") reinsures its subsidiary, TT Club Mutual Insurance Limited ("TTI"), under a 90% whole account quota share agreement.

Transactions and balances on the quota share agreement

	2022 US$000s	2021 US$000s
Income Statement		
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 TT	**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) Through Transport Mutual Services (UK) Limited

TT Club Mutual Insurance Limited is managed through Through Transport Mutual Services (UK) Limited. Under this arrangement, all day-to-day operations of the Club are outsourced to Thomas Miller Holdings Limited related companies. Total fees paid to Thomas Miller Holdings Limited related companies are disclosed in note 9.

Note 17: Ultimate parent company

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

ttclub.com