TT CLUB
established expertise

Positive performance despite a year dominated by hurricanes

Annual Report & Financial Statements for
TT Club Mutual Insurance Limited
For the year ended 31 December 2017

TT CLUB
IS MANAGED
BY **THOMAS**
MILLER

Contents

TT Club Mutual Insurance Limited

Directors and Management

Chairman

U Kranich **3 4**
Hamburg

Deputy Chairman

J Küttel **1 2**
Ermewa, Paris

Directors

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

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

M Onslow **2**
Specialist Director – Insurance

K Pontoppidan (retired 22 June 2017)
Copenhagen

N Smedegaard
DFDS, Copenhagen

D Robinson MBE **1 2** (appointed 22 June 2017)
PD Ports, Middleborough

Registered office

90 Fenchurch Street
London
EC3M 4ST

Telephone +44 (0) 20 7204 2626
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Company registration number

2657093

1 TT Bermuda Audit & Risk Committee Member
2 TTI Audit & Risk Committee Member
3 Investment Committee Member
4 Nominations Committee Member

Managers and company secretary

Through Transport Mutual Services (UK) Ltd

Independent auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic Report

Business review

This report is addressed to, and written for, the Members of the company, and the directors wish to draw attention to a number of financial and environmental uncertainties, including but not limited to the premium rating environment, the rate of claims inflation, cost inflation, foreign exchange movements and economic growth, which mean that the actual results in the future may vary considerably from both historic and projected outcomes contained within any 'forward-looking statements'.

The Association operates in the UK and the US and through branches in Singapore, Hong Kong and Australia.

On 7 September 2017, the Association acquired Scottish Boatowners' Mutual Insurance Association Limited ("SBO"). SBO is a small mutual that insured fishing boats and was placed into run-off at the end of 2016.

Strategy and values

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

The Association has entered into a 90% quota share reinsurance contract with TT Bermuda. The reinsurance contract also includes a stop loss element to protect the Association from an excess accumulation of claims within its 10% retention.

The Association'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. The Association maintains a conservative investment strategy.

The Association's executive function, including that relating to investment management, is performed by companies within the Thomas Miller Holdings Limited group of companies.

Strategic Report (continued)

Financial performance, capital strength and solvency

The Association's underwriting performance in 2017 continued to be affected by market pressure on premium rates. The technical result, after allowing for the attribution of investment return on the claims reserves, was a deficit of US$ 1.0 million (2016: surplus of US$ 0.3 million). The overall surplus after tax was US$2.0 million (2016: surplus of US$0.2 million) after allocation from investment return in the non-technical account and taxation.

The principal Key Performance Indicators ("KPIs") by which performance is monitored by the Board are set out in the charts below. The position is shown as at the end of 2017 and 2016.

	2017	2016
AM Best rating	A- (Excellent)	A- (Excellent)
Surplus and reserves	US$63.8m	US$61.7m
Technical result (after attribution of investment return)	US$(1.0m)	US$0.3m
Investment return (incl.exchange gains/losses, after attribution of investment return)	US$2.8m	US$0.3m
Net result	US$2.0m	US$0.2m

The Association'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- (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 2017.

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.

Brexit

The impact on the Association of the UK electorate's decision in the referendum in June 2016 to leave the EU is still unclear. The Association is committed to putting in place the necessary arrangements to be able to provide the Club's product and service to affected Members. To this end, the Association's planning has been based on the assumption that arrangements will need to be in place by the end of 2018 to be prepared for the end of the notice period on 29 March 2019. It seems likely, but not guaranteed at the time of writing, that transitional arrangements will be put in place to extend the period which companies such as the Association have in order to put in place their arrangements for a post-Brexit world. To that extent the Association's planning is being undertaken on a basis that gives it as much flexibility as possible in its preparations depending on decisions arrived at between the United Kingdom and European Union negotiators.

Strategic Report (continued)

Corporate and social

The directors are of the opinion that the environmental impact of the Association's activities is low, due to the small size and the nature of its business. There are therefore currently no KPIs relating to environmental matters. 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 is also investing in website technology in order to facilitate electronic distribution of its products and information to Members, brokers, suppliers and third parties.

As the Association has outsourced all of its management activities to independent professional managers there are no employee matters to report.

Charitable donations

During the year there were no charitable donations (2016: $3,000 to UNICEF).

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
22 March 2018

Directors' Report

The directors present herewith their Annual Report and the audited Financial Statements of TT Club Mutual Insurance limited ("the Association" or "Company") for the year ended 31 December 2017.

Directors and officers

The names of the directors of the Association who served during the year are shown on page 2. All the directors retiring at the Annual General Meeting and seeking re-election were re-elected.

There were no qualifying third party indemnity provisions in force for the benefit of one or more of the directors' at any time during the financial year, or at the time when the annual report was approved.

Meetings of the directors

The Board of the Association met formally on six occasions during 2017, with its main focus being to direct the operations of underwriting, sales, the external reinsurance programme, service, claims management, information technology and general administration. The Board also monitored performance against budget.

The Board is assisted by the Association's Audit & Risk Committee and by the Group's Nominations and Investment Committees. The Board is appraised as to the main issues discussed and all minutes of meetings of the committees are distributed to the Board.

The Association's Audit & Risk Committee assists the Board in discharging its responsibilities for the integrity of the Financial Statements, the assessment of the effectiveness of the systems of internal control and risk management, monitoring the effectiveness and objectivity of the internal and external auditors and compliance with regulatory requirements in relevant jurisdictions. The Audit & Risk Committee met on four occasions during 2017.

Risks and risk management

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

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

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

Directors' Report (continued)

Risks and risk management (continued)

All types of risk facing the business are analysed and each one is rated according to its severity (impact on the business) and probability of occurrence, adjusted for any mitigation measures that have been implemented. The residual risks are prioritised with the most highly rated items being considered as fundamental risks. Each fundamental risk is monitored and managed by a Member of the executive management. All risks identified are summarised, categorised and prioritised in a Risk Log which is reviewed and approved by the Board, at least annually and more frequently if required.

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

Insurance risk

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

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

Insurance risk is mitigated by means of:

- Prior approval of all quotations by a minimum of two senior underwriters
- Underwriters' authority levels based on experience and competence
- Technical underwriting and claims file reviews by management
- Key performance indicators and key risk indicators relating to underwriting and claims functions
- Actuarial, management and Board review of claims reserves (every four months)
- Management review of reinsurance adequacy and security

Financial risks

Financial risks consist of:

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

Information on the use of financial instruments by the Association and its management of financial risks is disclosed in note 4 to the Financial Statements.

Directors' Report (continued)

Risks and risk management (continued)

Operational risk

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

The Association's IT systems are established and stable; any development follows standard project methodologies. Appropriate operational policies and procedures covering all aspects of the business have been embedded through the organisation. Management information supports the control framework and is subject to on-going validation and enhancement to ensure that it is appropriate to business requirements.

The directors have assessed the mitigation and control environment relating to each of these types of risk and have made an assessment of the capital required to meet the residual risks faced by the business.

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.

Foreign branches

TT Club Mutual Insurance Limited operates branches in Singapore, Hong Kong, and Australia.

Distribution to Members

There was no distribution made to Members in the year.

Directors’ Report (continued)

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of this report confirms that:

1) So far as each of them is aware, there is no information relevant to the audit of the Association’s Financial Statements for the year ended 31 December 2017 of which the auditors are unaware; and
2) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Association’s auditors are aware of that information.

Independent auditors

In accordance with the EU Statutory Audit Regulation and Directive that came into effect on 17 June 2016 the Association, being an EU Public Interest Entity, was required to conduct a tender for the appointment of its independent auditors. During the first half of 2017 the Boards of the Association and its parent company Through Transport Mutual Insurance Association Limited therefore ran a tender process which was overseen by the Group Audit & Risk Committee. The outcome of this process was the reappointment of PricewaterhouseCoopers LLP as independent auditors of the Association.

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

Post balance sheet events

There have been no post balance sheet events.

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
22 March 2018

Statement of Directors' Responsibilities

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 accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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) Limited, *Company Secretary*
22 March 2018

Notice of meeting

Notice is hereby given that the twenty-seventh Annual General Meeting of the Members of TT Club Mutual Insurance Limited will be held at the Fairmont Southampton Hotel, on the twenty-first day of June 2018 at 8.05 am for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 December 2017 and to adopt them.

To elect directors.

To appoint auditors and to authorise the directors to fix their remuneration.

To transact any other business of an Ordinary General Meeting.

By approval of the Board

Through Transport Mutual Services (UK) Limited, *Company Secretary*
22 March 2018

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 2017 and of its surplus 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 2017; the statement of income and retained earnings for the year ended 31 December 2017; 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 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 to the company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

- Overall materiality: $3.29 million, based on 5% of Surplus and Reserves.
- We performed full scope audit procedures over all components, including the UK, Singapore, Hong Kong, and Australia.
- Reserving methodology and subjectivity in key reserving assumptions.

Overview

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006, UK tax legislation, Prudential Regulation Authority's regulations. Our tests included, but were not limited to, review of the financial statement disclosures and the review of correspondence with the regulators. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

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

Key audit matter

Reserving methodology and subjectivity in key reserving assumptions

See note 5 of the financial statements for disclosures of related accounting policies, judgments and estimates.

The outstanding claims reserve is a material balance ($287m) 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.

In particular we focused on:

- Degree of consistency in the reserving philosophy across reserving classes, including factors such as speed of case reserving and reserving for major issues;
- Key judgements and assumptions made by management in the reserving process;
- The use of appropriate reserving methodologies and assumptions and the consistency of their application from year to year;
- The process and governance surrounding the final selection of incurred by not reported reserves made by management;
- 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. As such, it is a subjective estimate.

How our audit addressed the key audit matter

We have assessed the degree of consistency in the reserving philosophy adopted by management to support the methodology and assumptions used.

We also tested the completeness and accuracy of the underlying data used in the actuarial calculations through performing reconciliations on the data back to the financial ledger and the actuarial data.

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 reviewing the methodology, assumptions and judgements made for the most significant classes and performed key indicator reviews 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 assessed the consistency of management's approach to the margin and its appropriateness in accordance with the business experience.

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 (continued)

Responsibilities for the financial statements and the audit (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.

TT Club Mutual Insurance Limited ("TTI") is a UK mutual company and its business is the provision of liability and asset insurance and related risk management services to the international transport and logistics industry. TTI operates in the UK and the US, with branches also in Singapore, Hong Kong and Australia. TTI acquired The Scottish Boat Owners Association in September 2017.

All of the branch locations are treated as in-scope components and tested by the group auditor team centrally. The PwC offices in each of the branch territories perform test of control procedures over the premiums and claims cycles.

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 materiality	\$3.29 million
How we determined it	5% of Surplus and Reserves.
Rationale for benchmark applied	The primary users of the financial statements are members and policyholders to whom capital sufficiency is the primary measure in assessing the strength of the Club. Therefore we adopted a benchmark of Surplus & Reserves and applied a threshold of 5%, which is generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.31 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

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 set out on page 8, 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.

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.

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 received 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.

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

Appointment

Following the recommendation of the audit 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 13 years, covering the years ended 31 December 2005 to 31 December 2017.

Deepti Vohra, *Senior Statutory Auditor*
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 March 2018

Statement of Income and Retained Earnings for the year ended 31 December 2017

Technical account

	Note	US$000s	2017 US$000s	US$000s	2016 US$000s
Gross premiums written	8		**177,626**		171,059
Outward reinsurance premiums			**(145,869)**		(141,162)
Premiums written, net of reinsurance			**31,757**		29,897
Change in provision for unearned premiums					
Gross	7	**(5,897)**		(2,310)	
Reinsurers' share	7	**5,462**		2,514	
			(435)		204
Earned premiums, net of reinsurance			**31,322**		30,101
Allocated investment return transferred from the non-technical account			**1,075**		88
Commission income			**23,451**		21,494
Other technical income, net of reinsurance			**36**		39
Claims paid					
Gross	5	**(110,535)**		(104,716)	
Reinsurers' share	5	**101,531**		96,129	
		(9,004)		(8,587)	
Change in the provision for claims					
Gross		**2,993**		18,584	
Reinsurers' share		**(4,190)**		(18,872)	
		(1,197)		(288)	
Claims incurred, net of reinsurance			**(10,201)**		(8,875)
Net operating expenses	9		**(46,663)**		(42,567)
Balance on the technical account			**(980)**		280

All activities derive from continuing operations.

Statement of Income and Retained Earnings for the year ended 31 December 2017 (continued)

Non-technical account

	Note	2017 US$000s	2016 US$000s
Balance on the technical account		**(980)**	280
Investment income		**843**	944
Unrealised gains/(losses) on investments		**11**	(62)
Interest payable		**(437)**	(672)
Exchange gains		**3,410**	164
Total investment return	*10*	**3,827**	374
Allocated investment return transferred to the technical account	*10*	**(1,075)**	(88)
Surplus on ordinary activities before tax		**1,772**	566
Tax on ordinary activities	*11*	**256**	(413)
Surplus on ordinary activities after tax	*14*	**2,028**	153
Statement of comprehensive income			
Surplus for the year		**2,028**	153
Surplus and reserves at 1 January 2017		**61,742**	51,589
Surplus for the year		**2,028**	153
Capital transfer from parent		**–**	10,000
Surplus and reserves at 31 December 2017		**63,770**	61,742

All activities derive from continuing operations.
The notes on pages 23 to 47 form an integral part of these Financial Statements.

There is no material difference between the surplus on ordinary activities before taxation and the retained earnings for the year stated above and their historic cost equivalents.

Statement of Financial Position as at 31 December 2017

	Note	2017 US$000s	2016 US$000s
Assets			
Investments			
Investment in subsidiary	*12*	**–**	–
Other financial investments	*13*	**64,027**	83,770
Reinsurers' share of technical provisions			
Provision for unearned premiums	*7*	**55,286**	49,824
Claims outstanding	*5*	**262,097**	256,030
		317,383	305,854
Debtors			
Arising out of direct insurance operations – policyholders		**45,351**	40,491
Arising out of reinsurance operations		**11,722**	4,345
Corporation tax debtor		**1,502**	622
Other debtors		**1,403**	1,397
		59,978	46,855
Cash at bank		**52,924**	38,994
Prepayments and accrued income			
Accrued interest		**321**	314
Deferred acquisition costs	*6*	**6,092**	5,367
Prepayments		**237**	272
		6,650	5,953
Total assets		**500,962**	481,426

Statement of Financial Position as at 31 December 2017 (continued)

	Note	2017 US$000s	2016 US$000s
Liabilities and reserves			
Surplus and reserves	*13*	**63,770**	61,742
Technical provisions			
Provision for unearned premiums – gross	*7*	**65,443**	59,546
Claims outstanding – gross	*5*	**287,101**	279,737
		352,544	339,283
Creditors			
Arising from reinsurance operations		**56,534**	55,233
Other creditors including taxation and social security		**1,956**	1,016
Amounts due to group undertakings		**23,906**	21,615
		82,405	77,864
Accrued expenses and sundry creditors		**2,253**	2,537
		84,648	80,401
Total liabilities and reserves		**500,962**	481,426

The notes on pages 23 to 47 form an integral part of these Financial Statements.

These Financial Statements on pages 19 to 47 were approved by the Board of directors on 22 March 2018 and were signed on its behalf by:

U Kranich, *Director*
J Küttel, *Director*

Company Registered Number
2657093

Notes to the Financial Statements

Note 1: Constitution

Through Transport Club Mutual Insurance Limited ("The Association") was incorporated as a mutual company limited by guarantee in the United Kingdom under the Companies Act 1985 on 24 October 1991 – Registered office - 90 Fenchurch Street, London, EC3M 4ST. The liability of Assureds is limited to the supplementary premiums set by the directors. Under the Association's Memorandum of Association, individual Members' liabilities are limited, in the event of the Association being wound up, to a maximum of £5 and, under the Association's Articles, in the event of its liquidation, any net assets of the Association are to be distributed equitably amongst the Members.

Note 2: Accounting policies

(a) Basis of preparation (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.

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 the Association's ability to continue to do so for at least 12 months from the date of these Financial Statements.

Under FRS 102 section 7: Cash flows, no cash flow has been presented in these Financial Statements as the Association is deemed to be a wholly owned subsidiary of Through Transport Mutual Insurance Association Limited and the cash flows of the Association are included within the consolidated Financial Statements of that entity.

No other exemptions have been taken.

The functional currency of the Association is considered to be United States Dollar ("USD") because that is the currency of the primary economic environment in which the Association operates. The consolidated Financial Statements are also presented in USD. Foreign operations are included in accordance with the policies set out below.

Underwriting activities

(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.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(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 in the statement of financial position.

(d) Claims

A 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 include claims management costs and an allowance for estimated costs expected to be incurred in the future in the management of claims. Estimated claims stated in currencies other than the functional currency are converted at year end rates of exchange and any exchange difference is included within claims incurred in the income statement.

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

The Association 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 Bornheutter-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. Judgment 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 prior policy years and having due regard to recoverability.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(e) Reinsurance

Contracts entered into by the Association with reinsurers, under which the Association is compensated for losses on one or more contracts issued by the Association and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Insurance contracts entered into by the Association 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, less returns, are debited to the statement of income in the financial year as and when charged to the Association, together with a provision for any future costs of existing reinsurance policies.

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

The figure credited to the Income Statement for reinsurance recoveries 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.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's 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 profit and loss account, 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.

(f) Acquisition costs

Brokerage and commission payments and other direct costs incurred in relation to securing new contracts and rewriting existing contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date and are shown as assets in the statement of financial position. Amounts deferred are amortised over the life of the associated insurance contract.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(g) 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 year end after taking account future investment income. Unexpired risk surpluses and deficits are offset where business classes are managed together and provision is made if a deficit arises.

(h) Commission income

Commission income is earned on the Association's quota share reinsurance with the parent company, the Association's general reinsurance programme, and on insurance arranged by the Association on behalf of Members and others. Commission income also includes overriding commission on quota share reinsurance premiums, which is shown net of operating expenses. The Association has both internal and external reinsurance that it earns commission income on.

(i) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment. The Association 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 income and expenditure account.

(j) Financial assets

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

Fair value through profit and loss account

Assets, including all of the investments of the Association, which are classified as fair value through the profit and loss account, 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. The market value of listed investments is based on current bid prices as at the balance sheet date. Where there is no active market, fair value is measured by reference to other factors such as independent valuation.

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 arms length basis. If the above criteria are not met, the market is regarded as being inactive.

Notes to the Financial Statements (continued)

(i) Financial assets (continued)

The cost of investments denominated in currencies other than the US dollar, are converted into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the Income and Expenditure Account and are then accumulated within the Investment Revaluation Reserve until realised. The movement in unrealised investment gains and losses includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current period.

Net gains or losses arising from changes in fair value of financial assets at fair value through profit or loss are presented in the Income and Expenditure Account 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 carried at cost less provision for impairment. 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 bad debt provision is created against any balances that may be impaired. Commission payable to intermediaries is netted off against debtors arising from insurance operations.

Available for sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. No available for sale assets are held.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and within UCITS.

The UCITS are Undertakings for Collective Investments of Transferable Securities and are used as an alternative to short term cash deposits. They are classified as cash equivalents as they are short term, highly liquid investments that can be readily converted to cash, with original maturities of three months or less.

(j) Investment return

Investment return comprises income on fixed interest securities, interest on deposits and cash, and realised and unrealised gains and losses on investments. Other investment income is recognised on an accruals basis. Interest 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.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(j) Investment return (continued)

The Association 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.

Investment return measurement

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income and interest is recognised on an accruals basis.

(k) Foreign currencies

Revenue transactions are translated into USD at the rate applicable for the month in which the transaction took place. Monetary assets and liabilities have been translated at the closing USD exchange rate. The resulting differences, apart from those relating to estimated future claims or investments, are shown separately in the Income Statement. Non-monetary assets and liabilities are carried at the exchange rate prevailing at the date of the transaction.

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

(l) Policy year accounting

When considering the results of individual policy years, premiums, reinsurance premiums payable, claims and reinsurance recoveries 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 Reserve Fund. General administration expenses are charged against the current policy year.

Investment income and exchange gains or losses are allocated proportionately to the average balance on each open policy year and the Reserve Fund. UK taxation, which is based on investment income, is allocated proportionately between the open policy years and the Reserve Fund. Other taxation is allocated entirely to the policy years to which it relates.

(m) Closure of policy years

On formal closure of a policy year, a sum equivalent to the anticipated future investment income on the balance on that year is transferred from the Reserve Fund to the credit of the closing year. Thereafter, any income derived from such funds is credited to the Reserve Fund, thereby offsetting the amount originally debited.

For closed policy years, the Association retains a balance sufficient to meet the estimated net outstanding claims and claims incurred but not reported on that year. Future adjustments to these amounts as well as differences between the estimates and the ultimate payments will be met by transfers to or from the Reserve Fund.

Notes to the Financial Statements (continued)

Note 2: Accounting policies (continued)

(n) Taxation

Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates enacted or substantially enacted when they 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 they will be recovered. Deferred tax balances are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. As a mutual the Association is exempt from UK corporation on its underwriting activities. Current tax is charged on its investment return.

(o) Related parties

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

The Association also discloses transactions with other related parties, details of which can be found in note 16.

Note 3: Critical accounting estimates and judgments and estimation uncertainty

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and 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.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association 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 IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. This is further explained in note 2 (d).

Notes to the Financial Statements (continued)

Note 3: Critical accounting estimates and judgments and estimation uncertainty (continued)

Pipeline premiums

The Association makes an estimate of premiums written during the year that have not been notified in the financial year as detailed in note 2 (b). The amount recognised in 2017 was US$ 2.73 million (2016: US$2.02 million)

Note 4: Management of financial risks

Financial risk management objectives

The Association is exposed to financial risk 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 policies as they fall due. The most important components of this financial risk are market risk or investment risk (comprised of interest rate risk, equity price risk, and currency risk) together with credit risk and liquidity risk.

The Association manages these risks using a risk governance structure incorporating the Managers' Risk Committee and the Audit & Risk Committee. Further details can be found in the Strategic report on pages 3 to 5.

The Board is responsible, advised by the Chief Executive working with the Investment Committee, for setting investment policy and the appropriate level of market or investment risk. This is set with reference to the overall risks faced by the Association which are analysed as part of the ICA process.

The processes used to manage risks within the Association are unchanged from the previous period.

(a) Market – 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.

The Association'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 and that of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates.

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(a) Market – interest rate risk (continued)

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. An increase of 100 basis points in interest rates at the statement of financial position date, with all other factors unchanged, would result in a US$ 0.9 million decrease in market value of the Group's investments (2016: US$ 1.91 million fall). A decrease in 100 basis points in interest rates would result in a US$ 0.9 million increase in the market value of the Group's investments (2016: US$ 1.91 million increase).

(b) Currency risk

The Association is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than USD. The most significant currencies to which the Association is exposed to are pounds sterling ("GBP") and the Euro ("EUR").

The following table shows the Association's assets by currency. The Association seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with financial investments denominated in the same currency.

2017	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	60,853	–	–	–	60,853
Assets arising from reinsurance contracts held	324,914	58	968	3,166	329,106
Debtors arising from insurance contracts	36,755	3,371	4,094	1,131	45,351
Other debtors	427	1,178	59	1,241	2,905
Cash and cash equivalents	12,463	2,185	14,455	26,995	56,098
Other	6,132	110	–	408	6,650
Liabilities	(302,997)	(19,040)	(63,877)	(51,279)	(437,193)
Net assets	**138,547**	**(12,138)**	**(44,301)**	**18,338**	**63,770**

2016	USD US$000s	GBP US$000s	EUR US$000s	Other US$000s	Total US$000s
Debt securities	78,882	–	–	–	78,882
Assets arising from reinsurance contracts held	307,137	51	821	2,190	310,199
Debtors arising from insurance contracts	34,108	1,931	3,287	1,165	40,491
Other debtors	1,136	705	57	121	2,019
Cash and cash equivalents	14,197	2,054	6,615	21,016	43,882
Other	5,482	109	–	362	5,953
Liabilities	(286,920)	(18,139)	(63,878)	(50,747)	(419,684)
Net assets	**154,022**	**(13,289)**	**(53,098)**	**(25,893)**	**61,742**

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(b) Currency risk (continued)

At 31 December 2017, if the USD weakened/strengthened by 5% against the GBP, with all other factors unchanged, the surplus for the year would have increased/decreased by US$0.06 million (2016: US$0.02 million).

If the USD weakened/strengthened by 5% against the euro, with all other factors unchanged, the surplus for the year would have increased/decreased by US$1.85 million (2016: US$1.2 million).

(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 the Association is exposed to credit risk are:

- Reinsurers' shares of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from policyholders
- Amounts due from insurance intermediaries
- Amounts due from bond issuers
- Cash at banks and deposits with credit institutions
- Counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Association's liability as primary insurer. If a reinsurer fails to pay a claim, the Association remains liable for the payment to the policyholder. Credit risk on reinsurance balances is mitigated by assessing the creditworthiness of a reinsurer 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 table provides information regarding aggregated credit risk exposure, for financial assets with external credit ratings, as at 31 December 2017. The credit rating bands are provided by independent ratings agencies:

2017	**AAA**	**AA**	**A**	**BBB+ or less or not rated**	**Total**
	US$000s	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Debt securities	–	60,353	500	–	60,853
Assets arising from reinsurance contracts held	–	46,734	277,106	5,802	329,106
Debtors arising from direct insurance	–	–	–	45,351	45,351
Other debtors	–	–	–	2,905	2,905
Cash and cash equivalents	7,438	14,122	34,431	107	56,098
Other	–	–	–	6,650	6,650
Total assets bearing credit risk	**7,438**	**120,673**	**312,037**	**60,815**	**500,963**

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(c) Credit risk (continued)

2016	AAA	AA	A	BBB+ or less or not rated	Total
	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	2,988	75,395	499	–	78,882
Assets arising from reinsurance contracts held	–	36,931	269,303	3,965	310,199
Debtors arising from direct insurance	–	–	–	40,491	40,491
Other debtors	–	–	–	2,019	2,019
Cash and cash equivalents	4,888	12,834	25,872	288	43,882
Other	–	–	–	5,953	5,953
Total assets bearing credit risk	**7,876**	**125,160**	**295,674**	**52,716**	**481,426**

The Association's policy is to make a full provision against all reinsurance debts with an age in excess of two years and a fifty percent provision for reinsurance debts between one and two years old. The Association 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 (2016: no impairments).

(d) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. The Association maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 December 2017 the Association's short term deposits (including cash and UCITs) amounted to US$ 56.1 million (2016: US$43.9 million).

The tables below provide a maturity analysis of the Association's financial assets:

2017		Past due but not impaired					
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	> 1 year	Financial assets that have been impaired	Carrying value in the balance sheet
	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	60,853	–	–	–	–	–	60,853
Assets arising from reinsurance contracts held	329,106	–	–	–	–	–	329,106
Debtors arising from direct insurance	29,149	10,239	5,963	–	–	–	45,351
Other debtors	2,905	–	–	–	–	–	2,905
Cash and cash equivalents	56,098	–	–	–	–	–	56,098
Other	6,650	–	–	–	–	–	6,650
Total	**484,761**	**10,239**	**5,963**	**–**	**–**	**–**	**500,963**

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(d) Liquidity and cash flow risk (continued)

2016		Past due but not impaired					
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	> 1 year	Financial assets that have been impaired	Carrying value in the balance sheet
	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s
Debt securities	78,882	–	–	–	–	–	78,882
Assets arising from reinsurance contracts held	310,199	–	–	–	–	–	310,199
Debtors arising from direct insurance	26,909	7,112	6,083	387	–	–	40,491
Other debtors	2,019	–	–	–	–	–	2,019
Cash and cash equivalents	43,881	–	–	–	–	–	43,881
Other	5,953	–	–	–	–	–	5,953
Total	**467,844**	**7,112**	**6,083**	**387**	**–**	**–**	**481,426**

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

2017	< 6 months or on demand US$000s	6 months-1 year US$000s	1-2 years US$000s	2-5 years US$000s	> 5 years US$000s	Total US$000s
Debt securities	8,844	-	31,097	20,912	-	60,853
Assets arising from reinsurance contracts held	62,132	64,152	95,174	80,248	27,400	329,106
Debtors arising from direct insurance	4,691	11,862	28,798	-	-	45,351
Other debtors	2,905	–	–	–	–	2,905
Other	6,650	–	–	–	–	6,650
Cash and cash equivalents	56,098	–	–	–	–	56,098
Sub-total	**141,320**	**76,014**	**155,069**	**101,160**	**27,400**	**500,963**
Creditors	(84,648)	–	–	–	–	(84,648)
Technical provisions - gross	(61,113)	(71,461)	(107,246)	(87,761)	(29,963)	(357,544)
Total	**559**	**4,553**	**47,823**	**13,399**	**(2,564)**	**63,770**

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(d) Liquidity and cash flow risk (continued)

2016	< 6 months or on demand US$000s	6 months-1 year US$000s	1-2 years US$000s	2-5 years US$000s	> 5 years US$000s	Total US$000s
Debt securities	28,468	7,989	5,497	20,379	16,549	78,882
Debtors arising from direct insurance	37,515	2,960	16	–	–	40,491
Assets arising from reinsurance contracts held	77,743	30,876	75,619	77,740	48,221	310,199
Other debtors	2,019	–	–	–	–	2,019
Cash and cash equivalents	43,882	–	–	–	–	43,882
Other	5,953	–	–	–	–	5,953
Sub-total	**195,580**	**41,825**	**81,132**	**98,119**	**64,770**	**481,426**
Creditors	(80,401)	–	–	–	–	(80,401)
Technical provisions - gross	(84,927)	(34,108)	(82,623)	(84,939)	(52,686)	(339,283)
Total	**30,252**	**7,717**	**(1,491)**	**13,180**	**12,084**	**61,742**

(e) Insurance risk

The Association'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 the Association 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.

Sensitivity to insurance risk

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

	2017 US$000s	2016 US$000s
1% increase in net reserves reduces surplus before tax and equity by:	**250**	237

A 1% decrease in net claims reserves would have an equal and opposite effect.

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(e) Insurance risk (continued)

(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 the Association's guidelines for acceptable risk.

(ii) Reinsurance

The establishment of the Association's reinsurance programme is driven by the Board's objective to manage risk to an acceptable level and to optimise the Association's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, facultative reinsurance to protect against specific risks, and whole account quota share reinsurance to protect against an accumulation of retained claims and to help manage the Association'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 comparison made against actuarial expected development. Quarterly claims developments are reviewed by the reserving committee and the Boards.

(iv) Reserving process

The Association establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in note 2 of the Financial Statements 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.

The Association 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.

(f) Capital management

The Association maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with the Association's risk profile and the regulatory requirements of the business. As at 31 December 2017, the total regulatory capital available amounted to US$63.8 million (2016: US$61.7 million), which exceeded the UK Prudential Regulation Authority requirements.

As at 31 December 2017, the Association held deposits and letters of credit totalling US$59.8 million to meet overseas regulatory requirements (2016: US$59.7 million). This included a collateralised letter of credit amounting to US$24.3 million (2016: US$24.5 million) in relation to Hong Kong and a trust fund deposit of US$34.9 million (2016: US$31.1 million) in relation to the US.

Notes to the Financial Statements (continued)

Note 4: Management of financial risk (continued)

(f) Capital management (continued)

The Association's strategy is to maintain sufficient capital to meet regulatory requirements and to maintain an AM Best rating of A- (Excellent) over the insurance market cycle, with a substantial margin in each case.

The Group continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). During the year to 31 December 2017 the group complied with Solvency II regulation having transitioned from Solvency I on 1 January 2016. The Association assesses and maintain 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.

(g) Fair value estimations

In accordance with section 34 of FRS 102, as a financial institution, the Association applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the statement of financial position, disclosure of fair value measurements by level of 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 & unobservable market data

All of the assets and liabilities that are measured at fair value at both 31 December 2017 and 31 December 2016 fall into the Level 1 category, with the exception of the debt securities, which fall into level 2.

	2017 Level 1 US$000s	**2017 Level 2 US$000s**	**2017 Total US$000s**	2016 Level 1 US$000s	2016 Level 2 US$000s	2016 Total US$000s
Debt securities	**–**	**60,853**	**60,853**	–	78,882	78,882
UCITS	**3,174**	**–**	**3,174**	4,888	–	4,888
Financial assets held at fair value through profit and loss	**3,174**	**60,853**	**64,027**	4,888	78,882	83,770

Notes to the Financial Statements (continued)

Note 5: Claims

(i) Claims paid

Claims paid include claims handling charges paid to the Managers totaling US$9.7 million (2016: US$10.6 million).

(ii) Insurance contract liabilities and assets

Movement in insurance liabilities and reinsurance assets

	2017 Gross US$000s	**2017 RI US$000s**	**2017 Net US$000s**	2016 Gross US$000s	2016 RI US$000s	2016 Net US$000s
Technical provisions at the beginning of the year	**279,737**	**(256,030)**	**23,707**	302,471	(278,632)	23,839
Claims paid (recovered)	**(110,535)**	**101,531**	**(9,004)**	(104,716)	96,129	(8,587)
Claims incurred	**112,542**	**(102,341)**	**10,201**	86,132	(77,257)	8,875
Exchange differences	**10,357**	**(10,257)**	**100**	(4,150)	3,730	(420)
Technical provisions at the end of the year	**292,101**	**(267,097)**	**25,004**	279,737	(256,030)	23,707

Claims development tables

The development of insurance liabilities provides a measure of the Association's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Association'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 consolidated statement of financial position.

Movement in prior year's provision for claims outstanding

Prior year's reserves and margins strengthened by US$ 0.2 million during the year. (2016: US$ 0.3 million released).

Assumptions underlying insurance balances

Reserving process

The risks associated with insurance contracts are complex and subject to a number of variables. The Association uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and ultimate claims numbers. The key methods used by the Association in estimating liabilities are:

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

Notes to the Financial Statements (continued)

Note 5: Claims (continued)

(ii) Insurance contract liabilities and assets (continued)

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 Association's Financial Statements for the period in which the adjustments are made. There have been no changes in these assumptions since the previous year end.

Insurance claims – gross

Estimate of ultimate claims costs attributable to the policy year

Reporting year	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s
At end of the reporting year	138,524	118,051	115,939	135,673	113,216	125,638
1 year later	137,890	100,649	102,323	120,229	113,931	–
2 years later	127,325	90,852	94,034	119,556	–	–
3 years later	129,271	87,935	96,489	–	–	–
4 years later	125,434	86,567	–	–	–	–
5 years later	125,383	–	–	–	–	–
Estimate of ultimate claims	125,383	86,567	96,489	119,556	113,931	125,638
Cumulative payments to date	109,036	72,964	75,204	71,893	55,329	17,097
Liability recognised in statement of financial position	16,347	13,603	21,285	47,663	58,602	108,541

	Total US$000s
Total liability relating to 2012-2017 year	266,041
Other claims liabilities relating to 2011 and prior years	21,061
Total technical provisions included in statement of financial position	287,101

Notes to the Financial Statements (continued)

Note 5: Claims (continued)

(ii) Insurance contract liabilities and assets (continued)

Insurance claims – net

Estimate of ultimate claims costs attributable to the policy year

Reporting year	2012 US$000s	2013 US$000s	2014 US$000s	2015 US$000s	2016 US$000s	2017 US$000s
At end of the reporting year	11,610	10,179	10,181	10,273	10,015	11,215
1 year later	11,416	8,802	8,955	9,910	9,551	–
2 years later	10,622	7,881	8,165	9,925	–	–
3 years later	9,982	7,694	8,359	–	–	–
4 years later	9,758	7,584	–	–	–	–
5 years later	9,630	–	–	–	–	–
Estimate of ultimate claims	9,630	7,584	8,359	9,925	9,551	11,215
Cumulative payments to date	8,799	6,380	6,500	5,702	4,604	1,460
Liability recognised in statement of financial position	831	1,204	1,859	4,223	4,947	9,755

	Total US$000s
Total liability relating to 2012-2017 year	22,819
Other claims liabilities relating to 2011 and prior years	2,185
Total technical provisions included in statement of financial position	25,004

Notes to the Financial Statements (continued)

Note 6: Deferred acquisition costs

	2017 US$000s	2016 US$000s
On insurance contracts	**6,092**	5,367

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2017 US$000s	2016 US$000s
At 1 January 2017	**5,367**	5,762
Expenses for the acquisition of insurance contracts deferred during the year	**725**	(395)
At 31 December 2017	**6,092**	5,367

Note 7: Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2017 US$000s	2016 US$000s	**2017 US$000s**	2016 US$000s
At 1 January 2017	**59,546**	57,236	**49,824**	47,310
Increase in provision	**5,897**	2,310	**5,463**	2,514
At 31 December 2017	**65,443**	59,546	**55,286**	49,824

Note 8: Segmental information

	2017 US$000s	2016 US$000s
Gross premiums written		
– Members located in UK	**8,243**	8,879
– Members located in other EU states	**25,595**	29,365
– Members located outside EU	**143,788**	132,815
	177,626	171,059

The Association writes only marine, aviation and transport business.

Notes to the Financial Statements (continued)

Note 8: Segmental information (continued)

Concentration of risk

The Association considers that the concentration of insurance risk most relevant to the Association's Financial Statements is according to the type of insurance cover offered and the location of insured risk.

The concentration of insurance risk before reinsurance by location in relation to the type of insurance risk accepted is summarised below:

Gross premiums written	**Members located outside EU 2017 US$000s**	**Members located in other EU states 2017 US$000s**	**Members located in UK 2017 US$000s**	**Total 2017 US$000s**
Containers and Chassis	**30,842**	**8,746**	**1,009**	**40,597**
Logistics	**36,498**	**7,234**	**2,731**	**46,463**
Other	**8,515**	**56**	**109**	**8,680**
Ports and Terminals	**43,650**	**5,337**	**2,369**	**51,356**
Property	**18,653**	**2,066**	**1,288**	**22,007**
Scheme	**1,414**	**383**	**–**	**1,797**
Cargo	**4,216**	**1,773**	**737**	**6,726**
	143,788	**25,595**	**8,243**	**177,626**

Gross premiums written	Members located outside EU 2016 US$000s	Members located in other EU states 2016 US$000s	Members located in UK 2016 US$000s	Total 2016 US$000s
Containers and Chassis	31,801	10,285	1,137	43,223
Logistics	34,004	7,456	2,241	43,701
Other	1,786	16	171	1,973
Ports and Terminals	41,117	5,553	2,994	49,664
Property	17,162	3,622	1,690	22,474
Scheme	3,078	1,417	5	4,500
Cargo	3,867	1,016	641	5,524
	132,815	29,365	8,879	171,059

Notes to the Financial Statements (continued)

Note 9: Net operating expenses

	2017 US$000s	2016 US$000s
Acquisition costs		
Brokerage and commission	**20,082**	18,085
Management fee in respect of underwriting	**14,518**	15,132
Change in deferred acquisition costs	**(725)**	395
	33,875	33,612
Administration expenses		
Management fee in respect of management and performance related fee	**11,519**	9,425
General expenses	**3,887**	2,808
Directors' fees	**316**	305
Directors' travelling costs	**84**	202
Auditors' remuneration:		
– Fee payable to the company's auditor for the audit of the company's annual Financial Statements	**94**	86
Non-audit services		
– Other services pursuant to legislation, including the audit of the regulatory returns	**257**	276
– Tax compliance services	**–**	108
– Other services	**–**	–
	16,157	13,210
Total operating expenses before commission on reinsurance contracts	**50,032**	46,822
Commission on reinsurance contracts	**(3,369)**	(4,255)
	46,663	42,567

The directors of the Association and its parent company, TT Bermuda, agree a management fee covering the management of the Association as a whole.

The Association had no employees during the year (2016: none).

Notes to the Financial Statements (continued)

Note 10: Investment return

	2017 US$000s	2016 US$000s
Investment income		
Income from financial assets held at fair value through profit or loss	**1,090**	899
Net (losses)/gains on the realisation of investments	**(50)**	172
Unrealised gains on investments	**11**	102
Foreign exchange gains	**3,410**	164
Interest income	**–**	66
	4,461	1,403
Investment expenses and charges		
Foreign exchange losses	**–**	–
Other investment management expenses	**(197)**	(193)
Interest payable	**(437)**	(672)
Unrealised losses on investments	**–**	(164)
Total investment return	**3,827**	374
Investment return is analysed between:		
Allocated investment return transferred to the technical business account	**1,075**	88
Net investment return included in the non-technical account	**2,752**	286
Total investment return	**3,827**	374

Note 11: Tax on ordinary activities

	2017 US$000s	2016 US$000s
UK tax	**125**	–
Foreign tax	**–**	400
Adjustments in respect of prior years	**(381)**	13
	256	413

Notes to the Financial Statements (continued)

Note 11: Tax on ordinary activities (continued)

	2017 US$000s	2016 US$000s
(ii) Factors affecting tax charge for the current year		
The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 19% (2016: 20%) – the differences are explained below:		
Surplus on ordinary activities before tax	**1,772**	566
Tax at 19% (2016: 20%) thereon	**337**	(113)
Effects of:		
Tax levied outside Bermuda:		
Change in current year		
UK	**125**	–
United States	**–**	400
Adjustments in respect of prior years		
Italy	**19**	–
United States	**(400)**	–
United Kingdom	**–**	13
	256	413

The taxation charge comprises a charge for UK taxation based at a rate of 19% based on 10% of the investment return.

Note 12: Investments

On 7 September 2017 TT Club Mutual Insurance Limited ("TTI") acquired Scottish Boatowners' Mutual Insurance Association Ltd ("SBO") for nil consideration.

The net assets acquired are shown in the table below. In accordance with s401 of the Companies Act 2006, these net assets have not been consolidated into the Financial Statements of TTI as they are included within the consolidated Financial Statements of TTI's parent company, Through Transport Mutual Insurance Association Limited. TTI's investment in SBO has been included at nil cost in TTI's Statement of Financial Position as at 31 December 2017.

Notes to the Financial Statements (continued)

Note 12: Investments (continued)

	£'000s	US$000s
Land and buildings	163	218
RI share of claims outstanding	1,630	2,186
Debtors arising out of reinsurance operations	106	143
Other debtors	48	64
Cash at bank and in hand	2,544	3,320
Other prepayments and accrued income	20	27
Total assets	4,511	5,959
Claims outstanding	(1,630)	(2,186)
Other creditors	(25)	(33)
Accruals and deferred income	(17)	(52)
Pension deficit	(47)	(63)
Total liabilities	(1,719)	(2,334)
Net assets	**2,792**	**3,625**

An exchange rate of 1.342 has been used to convert the Pounds Sterling assets and liabilities into their US Dollar equivalent balances.

Note 13: Other financial investments

The Association's financial investments are summarised by measurement category in the table below;

	Carrying Value		Purchase Price	
	2017 US$000s	2016 US$000s	**2017 US$000s**	2016 US$000s
Held at fair value through profit and loss:				
– debt securities	**60,853**	78,882	**61,074**	79,114
– UCITS	**3,174**	4,888	**3,174**	4,888
	64,027	83,770	**62,248**	84,002

The geographical split of the carrying value of the Association's debt securities and UCITS are summarised below:

	2017 US$000s	2016 US$000s
United States	**64,027**	83,770
	64,027	83,770

Notes to the Financial Statements (continued)

Note 13: Surplus and reserves

	2017 US$000s	2016 US$000s
Balance at beginning of year	**61,742**	51,589
Surplus on ordinary activities after tax	**2,028**	153
Transfer of capital from parent company	**–**	10,000
Balance at end of year	**63,770**	61,742

Note 15: Guarantee from parent company

Through Transport Mutual Insurance Association Limited has issued a guarantee, not to exceed US$2.5 million (2016: US$2.5 million), to the TT Club Mutual Insurance Limited to enable it to comply with the solvency margin requirements of the Financial Services and Markets Act 2000. The amount withdrawn as 31 December 2017 amounted to nil (2016: nil).

Note 16: Related party transactions

TT Club Mutual Insurance Limited is reinsured by its parent Through Transport Mutual Insurance Association Limited under a 90% whole account quota share. TT Club Mutual Insurance Limited is managed by Through Transport Mutual Services (UK) Ltd. The premiums written on this agreement amounted to $104.3m (2016: $107.8m). The recoveries on paid claims was $81.0m (2016: $77.3m). A total of $23.6m was paid to TTI from TTB in relation to commission on the quota share contract.

Reinsurers' share of the provision for unearned premiums includes US$36.4 million (2016: US$40.3 million) in relation to the quota share with the parent company. Reinsurers' share of the provision for outstanding claims includes US$225.0 million (2016: US$213.4 million) in relation to the quota share with the parent company.

All other material related party transactions are disclosed separately within the Financial Statements.

Note 17: Ultimate parent company

The Association'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 the Association. This is the smallest and largest group into which these Financial Statements are consolidated.

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