



SPECIALIST
PROFESSIONAL
INDEMNITY
INSURANCE

ITIC Year Book 2018

Specialist professional indemnity insurance
for transport professionals everywhere



ITIC
IS MANAGED
BY **THOMAS
MILLER**

ITIC Facts and figures at a glance

All facts and figures correct as of 31 May 2018

Gross premium

\$52_m

Claims paid

\$350_m

Members

2,600



Aviation

Security rating

BACKED BY
AT LEAST
"A" RATED
SECURITY



Worldwide insurance cover

ITIC is able to provide professional indemnity insurance, without restrictions, worldwide. An ITIC Account Executive is responsible for each country and will be your first point of contact. The ITIC team speak French, German, Spanish, Italian and Japanese.



Marine



Offshore &
Hydrographic

Credits paid

\$122_m

surplus funds have been paid out to the members in the form of continuity credit since 1994.

Disbursements & commissions

\$194_m

of disbursements and commissions collected for members since 1992.

Free reserves


\$178_m

at 31 May 2018.



Rail

Annual premium

from \$1,500  \$1m or more

ITIC is committed to consistently providing competitively priced professional indemnity insurance (and related insurance covers) with valuable and high quality loss prevention advice to businesses servicing the marine, aviation, rail and general transport industry. The ITIC team have a wealth of experience and knowledge.

20 staff

A full time team to provide you with the best service possible.

18 years

Average staff member's experience in the insurance /transport industry.

13 years

Average staff member's time with ITIC. Several staff have over 25 years of service.

5 lawyers

5 lawyers and a full time dedicated claims team of 3.



Specialist consultants



Specialist designers



Specialist surveyors

(All figures US\$)

Chairman's statement



These credits are the highest that ITIC has ever paid and will apply to all renewals in the 2018/19 year.

I am pleased to report that the 26th financial year of ITIC has produced a strong surplus. ITIC, combined with its mutual reinsurer TIMIA, returned US\$18.2m for the year to 31st May 2018 ("2017/18"). This was due to a continued improvement in the position of historical claims together with a reasonable investment return.

The investment return of 3.9% accounted for US\$8.3m of the surplus. This was a significant improvement on the anticipated investment return which, due to the relatively volatile nature of the investment markets and the asset allocation of the portfolio, was forecast to be just 2.9%.

The continuity credit is a credit given to renewing members and it effectively reduces the costs of your insurance. Your board, at its meeting in March 2018, reviewed the level of ITIC's free reserves and, since these were significantly above what was required for ITIC's solvency requirement, decided to substantially increase the levels of the continuity credit.

- For one year policies, the credit was increased from 20% to 40% of the premium.
- For two year policies, the credit was increased from 25% to 50% for year one with at least a 25% credit for year two.

Those in the second year of a policy begun last year will also get a credit of 50%, up from promised level of 22.5%.

These credits are the highest that ITIC has ever paid and will apply to all renewals in the 2018/19 year.

Your board considers the payment of such continuity credits to be a very important benefit of being covered by a mutual insurer. The amount of the anticipated credit that will be paid out in 2018/19 is US\$19.5m which is three times as much as it was three years ago and four times what was paid out four years ago. Since the continuity credit payments began 23 years ago, I am pleased to report that more than US\$122.0m has been returned to you, the members.

The risk for all claims up to US\$1.0m continues to be retained by ITIC, but it now also retains an additional US\$3.0m in excess of the primary US\$1.0m level (subject to a maximum additional retention of US\$1.0m for any claim). This retention of slightly higher levels of risk has seen ITIC save on its reinsurance costs for the last three years.

ITIC's annual premium remained approximately the same in 2017/18 as in the previous year, largely because of continued consolidation in the maritime services market. However, the good news is that US\$3.5m of premium was gained from new members (up by US\$1.0m from last year) and this offset the losses due to consolidation and cessation of the insured services.

ITIC continues to retain approximately 95% of its members at renewal each year, which is a very high retention rate.

Chairman's statement (continued)

ITIC continues to retain approximately 95% of its members at renewal each year, which is a very high retention rate.

The insurance, claims and contractual advice and practical help that we can provide through our staff in London to members, advisers, brokers and introducers around the world, continues to set us apart from the competition.

It is important for ITIC to maintain its level of free reserves both for solvency reasons and to drive up the levels of continuity credits paid to the membership. I am pleased to advise that the combined free reserves of ITIC and TIMIA have increased from US\$159.7m as at 31st May 2017 to US\$177.9m as at 31st May 2018. It is perhaps worth noting that the results for the next few years will be held back as the impact of the much higher levels of continuity credits feed through into the financial accounts.

In common with past years, the board decided to close the preceding policy year, meaning that no additional premium can be requested from members for the 2016/17 policy year or any earlier year. The only full year that remains open is 2017/18. It should be noted that ITIC has never requested additional premium for any policy year.

ITIC underwrites, approximately, 30% of its business in the European Union excluding the United Kingdom (the "EU27"). The plan post Brexit is that ITIC will continue to provide cover but via a fronting arrangement with an insurer based in Rotterdam in the Netherlands, starting at the end of 2018. The business within the EU27 is very important to us and the cover and service available will be unchanged.

We are now reporting fully to Solvency II standards, both to the Prudential Regulation Authority and the general public. Details of our solvency position can be found in the Solvency and Financial Condition Report, which is available on the ITIC website: <https://www.itic-insure.com/compliance-regulation/>

ITIC is committed to consistently providing competitively priced professional indemnity insurance (and related insurance covers) with valuable, high quality loss prevention advice to businesses servicing the marine, aviation, rail and general transport industry through a mutual insurance company supported by at least "A-" rated security from its external reinsurers. Strong reserves will be maintained and quality service and sound risk management provided by its highly competent staff.

The accounts and financial highlights for the 2017/18 year will be available on the website (www.itic-insure.com) before the AGM on 20th September 2018.



Peter French
Chairman
International Transport
Intermediaries Club Ltd



\$350m of claims paid
in 25 years

Finances

\$178 million free reserves

Combined ITIC and TIMIA Financial Highlights for the year ended 31st May 2018

All figures US\$ '000

	year ended 31st May 2018	year ended 31st May 2017
Gross premiums written	51,798	51,859
Continuity credit	(9,665)	(7,970)
Reinsurance premiums (excess loss)	(4,376)	(4,634)
Claims incurred less excess loss reinsurance recoveries	(13,961)	(11,229)
Operating expenses	(14,682)	(16,775)
Surplus for the year before investment result and exchange losses / gains	9,114	11,251
Investment result (realised and unrealised)	8,359	13,182
Taxation	(158)	(200)
Exchange gains / (losses)	888	(1,294)
Surplus / (deficit) for the year	18,203	22,939
Free reserves brought forward at 1st June	159,670	136,731
Free reserves carried forward at 31st May	177,873	159,670
Free reserves:		
Funds available for outstanding claims and claims incurred but not enough reserved	242,511	226,211
Less: Estimate of outstanding claims net of reinsurance recoveries (including known and incurred but not enough reserved)	(64,638)	(66,541)
Free reserves carried forward at 31st May	177,873	159,670

Finances

It is important for ITIC to maintain its level of free reserves

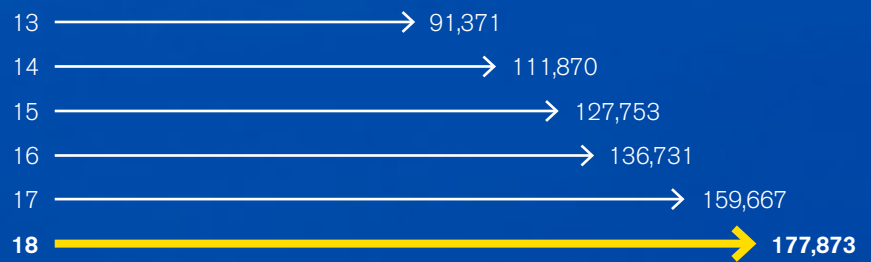
Gross premium / US\$'000's

\$52m



Free reserves development / US\$'000's

\$178m



Underwriting report

ITIC's target for new premium income in the 2017 year (the period 1st June 2017 – 31st May 2018) was initially set at US\$ 2.75m. We are pleased to report that the actual new premium gained for the year was US\$ 3.50m.

This was over 400 new members, the majority of which came to us via insurance brokers. We are extremely grateful for the continued support and enthusiasm that insurance brokers, from all over the world, continue to show to ITIC.

As has been reported in the Chairman's statement, the continuity credit structure is providing members who renew this year with the highest credit ITIC has ever paid. A total credit of as much as 50% being awarded to those who renew for a two year period. Those members who are in the middle of a two year policy are receiving an additional special bonus credit of 27.5% on top of what they had initially been promised, so they also receive the maximum 50% credit.

Over recent years we have seen a number of the larger member companies merging. Whilst ITIC retains the business, there is normally a reduction in the overall premium paid, due to economies of scale. This fact, combined with pressure at renewal to reduce premium due to generally lower income declarations has meant that ITIC's top line premium has remained relatively flat. That said, it is apparent from the renewal discussions which have taken place since 1st June 2018 that there is an increase in activity, and therefore income, for many members across ITIC's membership.

The growth in the number of rail and aviation members continues. Whilst ITIC's strength in rail remains focused on companies within the UK, there are also rail members in Canada, Spain and Italy. The aviation membership has also increased with the majority of assureds being based in the UK and Australia. ITIC is being recognised as a provider of professional indemnity to the wider transportation industries.

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Claims commentary

The number of indemnity claims reported during the 2017 policy year (1st June 2017 to 31st May 2018) is lower than in the previous year. This is the third consecutive reduction in the number of matters reported.

The amounts paid and estimated after 12 months' development in the 2017 policy year were however slightly higher than the average of the previous five policy years but remained consistent with those years. Historical claims have developed less adversely than anticipated leading to an overall improved claims position.

Although human error will always be the main cause of claims reported to ITIC the cover often responds to situations where the member is held liable irrespective of their fault.

Although human error will always be the main cause of claims reported to ITIC the cover often responds to situations where the member is held liable irrespective of their fault. Recent years have seen a number of claims relating to liabilities imposed on ship agents by port authorities. A notable example in the last twelve months was an agency that faced a substantial liability for the costs of removing a grounded ship in the Middle East. Another claim involved an agent's potential liability for a ship abandoned in the same region.

The abandonment of crew members due to the financial default of the ship owner can leave ship managers being liable to reimburse P&I clubs for costs paid under their Maritime Labour Convention certificates. ITIC has provided cover for ship and crew managers (offered at no additional premium) giving some protection to this potential liability.

The need to interpret and comply with a range of constantly evolving regulations is a growing feature of transportation businesses. One of the notable claims of the last 12 months involved a ship manager who overlooked that new regulation had come into force in one US state requiring ships entering from international waters to deballast more than 200 nautical miles from the coast. The previous regulations contained a 50 mile restriction.

ITIC insures many naval architects and an example of a typical claim arose from excessive vibration in a newly built workboat. In another case it was found that the construction drawings for a compressor contained an error. In both these cases litigation was avoided and ITIC worked with the member to resolve the issues on a practical level settling the additional costs incurred.

The number of debt collection files handled by ITIC also fell during the 2017 policy year. This was the first such fall for three years. The claim numbers reported in the 2017 policy year do not however contain multiple debts arising from a major bankruptcy and therefore may not reflect a general improvement in principals paying their shipbrokers and ship agents.

It will be business as usual for all ITIC members and brokers.



Business as usual after Brexit

In December 2017, a circular was sent to all members and brokers explaining that ITIC would need to make arrangements in order to continue to trade in Europe after Britain's exit from the EU.

ITIC is committed to continuing to do business in Europe post Brexit as, approximately, 30% of the membership is in EU27. We will ensure that after Brexit, ITIC's members in the EU will continue to receive the high quality product and service to which they have become accustomed.

To be able to continue to use the financial services "passport" we established that the most effective and efficient way for ITIC to establish a presence within the EU was via a fronting arrangement with UK P&I Club N.V. which will be a Netherlands regulated insurance company. They will reinsure 100% of that risk back to ITIC. The Rotterdam business will be managed by a Thomas Miller company called Thomas Miller B.V. which is now based in the World Port Centre in Rotterdam, Netherlands.

There is a dedicated Brexit page on ITIC's website, which will continue to be updated with circulars and information on the topic, as and when appropriate: <https://www.itic-insure.com/about-itic/itic-brexit/>

The ITIC brand will appear on all policy documentation and correspondence along with the trading name of the EU fronting company. ITIC will be offering the same cover and levels of service it always has done whether that be on underwriting, claims or loss prevention either via the Rotterdam or London offices.

It will be business as usual for all ITIC members and brokers.

The continuity credit structure is providing members who renew this year with the highest credit ITIC has ever paid.



Retirements



Julia Mavropoulos

Many members and brokers will have come across Julia Mavropoulos during her 30 or so years working for TIM and ITIC. Julia was one of the first members of the TIM team when the business started in 1985, looking after many of the members in Europe and India. Julia went on to become claims director until formally retiring from ITIC in 2005.

Despite retiring, Julia continued to work as a consultant to ITIC, coming into the office for a couple of days a week, enjoying digging into various claims matters that required another pair of eyes. However, in May 2018 Julia actually retired and we had a lunch to celebrate.

Julia will now have more time for her hobbies of travel and going to the theatre and is looking forward to a trip to India in November.

Dirk Fry and Fawzi Kanoo

At the September 2018 board meeting, held in Cyprus, Dirk Fry of Columbia Shipmanagement and Fawzi Kanoo of Kanoo Shipping retired from the board of Directors.

Dirk Fry retired as a director of both the ITIC and TIMIA boards, after serving as a director of ITIC since 1995. Fawzi Kanoo also retired as a director of ITIC after joining the board in 2009.

We would like to thank both Dirk and Fawzi for their contributions to the business and boards over the years. They will be missed. A donation was made to the German Maritime Search and Rescue Service (Deutsche Gesellschaft zur Rettung Schiffbrüchiger DGzRS) on behalf of Dirk Fry and a donation was made to International Federation of Red Cross and Red Crescent Societies on behalf of Fawzi Kanoo.

ITIC underwriting directors



An ITIC underwriting director has never been known for being reluctant to accept a lunch invitation. So, we were not surprised to be joined by 4 of the 5 of ITIC's underwriting directors at Julia's retirement lunch. From left to right Sid Lock (at TIM/ITIC from 1984 to 1993 and recently retired from Gard), Alistair Mactavish (current underwriting director), Stuart Munro (now ITIC CEO) and Roger Lewis (at ITIC from 1993 to 2016, now a business transformation consultant). The missing director is Chris Childs, who is currently working in Thailand.

ITIC out and about

The ITIC team enjoy getting out of the office to see members, provide loss prevention seminars and to attend conferences. In the last year we have provided loss prevention seminars in Dubai, Bahrain, Cyprus, Singapore, China, Japan and London. Some of these presentations have been in conjunction with the local ship agents' or ship brokers' associations. If you would be interested in an ITIC seminar, or workshop, please let us know.

ITIC attends a number of exhibitions internationally. Steadfast was held in March 2018, in Melbourne. Steadfast is a conference for insurance brokers, attracting over 4,000 delegates at which ITIC shares a stand with TT Club.

ITIC has a close relationship with the Mediterranean Yacht Brokers Association (MYBA). MYBA have an annual exhibition at which ITIC had a stand this year, in Barcelona. Oceanology is another well-established event, billed as the world's largest ocean technology exhibition and conference, which ITIC has exhibited at for 10 years.

Keen to expand our presence in the aviation market ITIC took part in the Baltic Air Charter Association (BACA)'s Air Charter Expo (ACE) event at London's Biggin Hill airport and visited EBACE in Geneva.

Alongside exhibitions and seminars ITIC spoke at the Young Maritime Professionals event, hosted by Thomas Miller in London, in late March 2018. A presentation was also given to the International Maritime Law Institute.

ITIC presented at a well-attended Thomas Miller cyber security conference, hosted in Athens in March 2018.

The ICS Singapore insurance exams were sponsored by ITIC as well as the FONASBA young ship agent and ship broker of the year award. The winner this year was Filipe Miguel of Navex in Leixoes for his paper on "the 2025 challenges roadmap for ship agents". Members of the ITIC team formed part of a crew for the annual OSCAR dragon boat race, in aid of Great Ormond Street children's charity.

ITIC continues with its thought leadership panel debates, which typically involve a panel of four or five external participants and a moderator, who discuss a variety of industry specific topics. The next panel debate will be held in November in London, focused on the role of an expert witness.







Essential transport industry services from ITIC.

Directors

P French (Chairman)

BMT Group Ltd
London

R Bishop

V Ships
Glasgow

E F Davila

Maritima Davila Madrid SA
Madrid

C Döhle

Menzell & Döhle GmbH & Co. KG
Hamburg

T Evans (CFO)

ITIC Ltd
London

S M Jones

General Steamship Agencies Inc
San Francisco

T Jones

BRS International SA
Luxembourg

A S Munro (CEO)

ITIC Ltd
London

L Säfverström

Gulf Agency Company Ltd
Dubai

U Salerno

RINA Spa
Genoa

M Shakesheff

Casper Shipping Ltd
Middlesbrough

J Woyda

Clarkson PLC
London

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ITIC is managed by Thomas Miller, which manages a number of world-leading mutual insurance companies providing insurance for shipping, transport and professional indemnity risks, including UK P&I Club, TT Club, Hamia, BLP, OPDU, Pamia and Bar Mutual.

See more online at itic-insure.com

Call our team on +44 (0)20 7338 0150

 or follow us at: [@ITICLondon](https://twitter.com/ITICLondon)

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