International Transport Intermediaries Club Limited

Annual Report & Financial Statements

for the year ended 31 May 2021

Registered Number 2725312

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Contents

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Notice of Meeting

Notice is hereby given that the seventeenth Annual General Meeting of the members of International Transport Intermediaries Club Limited ("ITIC") will be held at the Nimb Hotel, Copenhagen at 12 noon on Thursday, 23 September 2021 for the following purposes:

o To receive the Strategic and Directors' Report with Financial Statements for the year ended 31 May 2021 and, if they are approved, to adopt them.

o To elect directors.

o To confirm the appointment of Auditors and to authorise the directors to agree their remuneration.

o To transact any other business of an Annual General Meeting.

By order of the board

K Halpenny
Secretary

15 July 2021

Notes:

i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A person so appointed must be a member of ITIC. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.

ii) The agenda papers for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting are made available to members prior to the meeting via ITIC's website.

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Directors	**Company and Location**	
L G Säfverström (Chairman)	Gulf Agency Company Ltd, Dubai	
R M Bishop (Chairman Nominations Committee)	V Ships, Glasgow	
F Bognin	RINA Spa, Genoa	Appointed 2 March 2021
C Devantier	Maersk Broker, Copenhagen	
C Döhle	Paul Günther Schiffsmakler GmbH & Co.KG, Hamburg	Resigned 24 September 2020
T M Evans (Chief Financial Officer)	Executive director of ITIC Ltd	
T G Durkin	Independent director	Appointed 1 December 2020
A J Groom	Independent director	Appointed 1 December 2020
T T Jones	BRS International S.A. Luxembourg	
A S Munro (Chief Executive Officer)	Executive director of ITIC Ltd	
S R A Portunato	SeaQuest Shipmanagement SA, Geneva	
U Salerno	RINA Spa, Genoa	Resigned 24 September 2020
C C Schou	Wilhelmsen Ship Management Ltd, Singapore	
M Shakesheff (Chairman Audit Investment & Risk Committee)	Casper Shipping Ltd, Middlesbrough	
J D Woyda	Clarkson plc, London	

Secretary

K Halpenny

Registered Office and Business Address

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INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Directors' Report

Summary of the financial year

The directors present their directors report on ITIC for the year ended 31 May 2021.

The results of ITIC are contained in the accounts on pages 13 to 32. The surplus before taxation for the year ended 31 May 2021 was US$4,615,000 (2020: surplus US$2,733,000). Additional explanation is included in the Strategic Report on page 6.

Directors

The names of the present directors, all of whom have held office during the year unless stated otherwise, are shown on page 3.

In the case of each of the persons who are directors at the time this report is approved, the following applies:

(a) So far as the directors are aware, there is no relevant audit information of which ITIC's auditors are unaware; and

(b) They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that ITIC's auditors are aware of that information.

Reinsurance relationship with Transport Intermediaries Mutual Insurance Association Limited ("TIMIA")

ITIC reinsures with TIMIA, registered in Bermuda, on a 90% quota share basis both its liabilities from 1 September 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited ("CISBA").

Meetings of the Directors

The board met on 16 July 2020, 24 September 2020 and 25 March 2021 in order to carry out its general and specific responsibilities under the Memorandum of Association and Rules of ITIC. The number of directors present at these meetings were 6, 12 and 13 respectively.

The directors considered the following topics at their meetings:

Audit Investment & Risk committee minutes
Board nominations
Brexit and EU fronting arrangements
Business plan
Claims report including cases for consideration
Closure of the 2019/20 policy year
Covid-19
Directors' and officers' liability insurance cover
Directors' fees
Finance report
Fit & proper declaration
Free reserve strategy review
General data protection regulation
Internal audit reports
Investment report, policy and mandate
Litigation against ITIC (*)
Management agreement and fees
Own Risk & Solvency Assessment
Policy reviews
Regulatory issues
Reinsurance renewal
Renewal proposal
Report and financial statements, audit and regulatory returns
Risk assessments and risk appetite
Rule changes
Sales, marketing & communications report
Solvency and Financial Condition Report
Strategy review
Terms of reference for board and committees
Underwriting report

* Regarding litigation against ITIC, there are several cases in relation to claims where ITIC, in its capacity as the insurer of policyholders, has been brought into the claim as an additional defendant. This is considered to be a normal part of business and ITIC makes provisions for such cases, if required, as part of its assessment of outstanding claims reserves at the year end. Otherwise, there is no known current litigation against ITIC.

Directors' Report (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). 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 ITIC and of the surplus or deficit of ITIC 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 ITIC will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain ITIC's transactions and disclose with reasonable accuracy at any time the financial position of ITIC and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of ITIC 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The following matters have been discussed within the Strategic Report:

i) Likely future developments in the business of the company; and

ii) The financial risk management objectives and policies of the company.

Sustainability

As part of its existing risk management framework, ITIC has in place a plan for dealing with the impact of climate change on its business operations and the associated risks. Ongoing assessment of ITIC's impact is in place and the plan will be refined during 2021.

ITIC falls under the scope of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 ("the Regulations") based on its turnover and balance sheet total. The directors have determined that ITIC is a low energy user, using less than 40,000 kwh per year. As noted earlier, ITIC's core management and business activities are outsourced to Thomas Miller. For these reasons the directors have not included information in relation to ITIC's energy and carbon usage.

Impact of Covid-19

The impact of Covid-19 is discussed further in the strategy report. Covid-19 continues to bring some uncertainty to the future results of ITIC, particularly in terms of premium, claims and investment return.

Directors' indemnities

Directors' and officers' insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of ITIC. This constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The policy was in force during the financial year and remains in force for all current and past directors of ITIC.

Assessment of going concern

The company has retained reserves of US$46,142,000 (2020: US$42,102,000).

The solvency ratio as at 30 November 2020, when last calculated, was 458% (retained reserves US$43,755,000) compared to the previous year end, 31 May 2020 where it was 423% based on the standard formula solvency capital requirement applicable to it. With strong underwriting and investment results, the solvency ratio as at 31 May 2021 is expected to exceed the 30 November 2020 position.

The directors have considered the impact of Covid-19, as disclosed in the Strategic Report, Directors' Report and Note 25. 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 ITIC's ability to continue to do so for at least 12 months from the date of authorisation of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Auditors

BDO LLP have indicated their willingness to continue in office and a resolution will be proposed for their reappointment in accordance with Section 489 of the Companies Act 2006 at the Annual General Meeting to be held on 23 September 2021.

L G Säfverström
Chairman

A S Munro
Chief Executive Officer

15 July 2021

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Strategic Report

The directors present their strategic report on ITIC for the year ended 31 May 2021.

Principal Activities

The principal activity of ITIC during the year was the insurance of professional indemnity and public liability risks of professionals in the transport industry.

Strategic Direction

The objective of ITIC is to provide competitively priced professional indemnity insurance (and related products) with loss prevention advice to businesses (known as members) servicing the marine and transport industry through a mutual insurance company, which maintains strong reserves and which is supported by at least "A-" rated reinsurance security for limits in excess of the retention, sound risk management, quality service and competent staff.

Business Review

The board considers that the key indicators that will communicate the financial performance and strength of ITIC to its members are: gross earned premium, combined ratio, being total underwriting costs and general expenses as a percentage of gross earned premium; and operating surplus before investment result and taxation.

The board also uses a number of other key profit indicators, key risk indicators and key control indicators to assess the performance of individual parts of the business.

The gross earned premium drives the scale of the business. Action is taken continuously to ensure that business is written at rates required to achieve the target return. Joining and leaving members are continuously monitored. The continuity credit for renewing members is a mechanism for distributing excess reserves or retaining reserves where appropriate.

The combined ratio, including various cost ratios, monitors the performance of ITIC from a number of perspectives.

The operating surplus before taxation is the key performance measure. ITIC aims to deliver sustainable surpluses over the insurance cycle by choosing and underwriting risks at appropriate rates, coupled with rigorous expense control and the delivery of superior customer service to its members and intermediaries.

The following table extracts the main headings that management use to monitor the business performance. Management find it useful to show the results at a summary level and also showing the results of the quota share reinsurance arrangement separately. The surplus reconciles to the surplus on the technical account in the statement of income and expenditure account and all line items reconcile directly back to those included within the income and expenditure account and accompanying notes.

As illustrated below, premium increased by 4.3% largely from the growth in new members. Acquisition costs increased as more of the EU members renewed via the fronting arrangement with UK P&I NV. Excess of loss reinsurance costs also increased due to market pressures by 15% at renewal. Net claims costs reduced slightly whilst the continuity credit decisions made in previous years continued to impact the return of premium to members albeit down on the previous year. Management fees increased compared with the previous year partly because of the weakening US dollar whilst other expenses reduced because of cancelled travel and meetings following Covid-19. Noting the ability to perform well despite the uncertainty arising from Covid-19, the board decided to increase the level of continuity credit for 2021/22 to 15%-25% compared with the 2020/21 credit of 10%-20%. The combined loss ratio before continuity credit and quota share reinsurance for the financial year was 81.2% compared with the prior year's 84.2%.

The investment return provided another strong operating surplus, up on the previous year.

	Notes	2021 US$ 000s	2021 % of gross earned premium	2020 US$ 000s	2020 % of gross earned premium
Gross earned premium	5	59,786	100.0%	57,338	100.0%
Less acquisition costs including management fee element	8	(9,744)	16.3%	(8,769)	15.3%
Less excess of loss reinsurance costs	6	(4,767)	8.0%	(3,843)	6.7%
Net retained premium		45,275	75.7%	44,726	78.0%
Claims net of excess of loss recoveries including management fee element	7	(26,977)	45.1%	(28,911)	50.4%
Management Fee (excluding acquisition and claims elements)	9	(5,861)	9.8%	(5,281)	9.2%
Other expenses	8	(1,187)	2.0%	(1,460)	2.5%
Total claims and other expenses		(34,025)	56.9%	(35,652)	62.2%
Total costs (excluding continuity credit)		*(48,536)*	*81.2%*	*(48,264)*	*84.2%*
Operating surplus before continuity credit and quota share reinsurance		11,250	18.8%	9,074	15.8%
Less continuity credit	5	(13,316)	22.3%	(19,722)	34.4%
Net result from quota share reinsurance	see below *	953	-1.6%	9,937	-17.3%
Deficit on technical account before investment result		(1,113)	-1.9%	(711)	-1.2%

The net result from the quota share reinsurance is made up as follows:

Outward quota share reinsurance on premium	6	(53,808)	(51,682)
Plus quota share reinsurance on continuity credit	6	11,983	17,759
Plus quota share acquisition costs (note 10)	6	6,912	6,224
Plus quota share reinsurance - excess of loss	6	4,290	3,459
Plus quota share recoveries	7	21,652	24,204
Plus ceding commission from TIMIA	6	9,924	9,973
Net result from quota share reinsurance		953	9,937

Strategic Report (continued)

The statement of financial position shows US$46,142,000 (2020: US$42,102,000) as retained reserves.

Investments

The total deposited at banks and invested in bonds and other fixed interest securities amounted to US$74,690,000 (2020: US$74,594,000) and produced a return of US$3,035,000 (2020: US$1,815,000).

ITIC has retained its strong capital position and its retained reserves at 31 May 2021 will remain comfortably above the Prudential Regulation Authority's minimum capital requirements (last year's return showed 1,194% coverage), the Standard Formula Solvency Capital Requirement (last year's return showed 423% coverage) and the Own Risk and Solvency Assessment's capital requirement.

Reinsurance

ITIC places two main types of reinsurance.

- ITIC's excess of loss reinsurance cost includes the cost of the underlying contract and the cost of the reinsurance in respect of limits of cover in excess of those provided by ITIC. This cost for the year was US$4,767,000 (2020 - US$3,843,000).
- ITIC also has quota share reinsurance through Transport Intermediaries Mutual Insurance Association Ltd. The aggregate of claims within ITIC's retention is reinsured on a 90% quota share basis by Transport Intermediaries Mutual Insurance Association Ltd of Hamilton, Bermuda.

The quota share policy cost US$30,623,000 (2020 - US$24,240,000) less a ceding commission of US$9,924,000 (2020 - $9,973,000).

Analysis of Funds in 2019 (Closed) and 2020 (Open) Policy Years and Reserves as at 31 May 2021

The following table shows the accumulated surplus split down by ITIC policy year. This is different to the breakdown by ITIC financial year as shown in the income and expenditure account.

	At 31 May 2021 US$ 000s	Change in year US$ 000s	At 31 May 2020 US$ 000s
General reserves and earlier years (all closed)	39,915	(497)	40,412
2019/20 policy year (closed March 2021)	1,730	40	1,690
2020/21 policy year (open)	4,497	4,497	-
General reserves at end of year	46,142	4,040	42,102

The results above are stated after:

1. Quota share costs comprising 90% of: premium, net of brokerage, commissions, excess of loss reinsurance premiums and claims net of reinsurance recoveries.

2. The ceding commission received from the quota share reinsurer covering the management fee, general expenses and exchange gains and losses of ITIC.

At their meeting in March 2021, the directors decided to close ITIC's 2019/20 policy year leaving only the 2020/21 policy year open.

Impact of Covid-19 in ITIC

Covid-19 (or Coronavirus) emerged in December 2020, and was classified as a global pandemic in March 2021. The emergence and spread of Covid-19 had an immaterial impact on ITIC over the last year and is not likely to have a material impact going forwards.

Impact on ITIC's day to day servicing

ITIC is able to continue to effectively service its members remotely. All the staff of the managers have been able to continue to work via remote access and video conference meetings and some have attended the offices if considered appropriate. Executive travel to meet members and brokers and director travel to board meetings has been curtailed but the requirements have been covered by alternative means. The disruption caused by Covid-19 has not impacted ITIC's ability to operate on an ongoing basis.

Impact on ITIC's members providing professional services in the transport sector

The impact of Covid-19 on trade and the economy has had a corresponding impact on the income of transport businesses and the businesses providing services to the transport industry. Whilst there have been some reductions in members income levels, many have continued with little impact or even increased their scale.
It has been noted that some members have struggled to service their customers due to either lack of physical presence or because of problems running their own operations and systems, or their clients' operations and systems. However, most have found alternatives which have allowed them to continue without significant issues.
The income and profitability of ITIC's members' has not been impacted enough to detrimentally affect premium levels of and payments to ITIC. Hence ITIC's cash flow has not been adversely impacted.
At the date of signing these accounts, there continues to be some uncertainty over the timing that businesses will return to a new normal service. Also, the impact of Covid-19 on claims has yet to be fully determined. Hence premium, claims development, cash flow and investment returns could still be impacted over the next couple of years.

Impact on insurance operations

Premium. ITIC's premium has held up despite Covid-19 and has not experienced the drop off in income declarations and premium income as previously expected. However, it is possible that some members may cease to trade and this can give rise to non-renewals or non-payment of premium. It should be noted that non-payment of premium leads to cancellation back to inception and hence reduced exposure to claims. On the positive side, there has been reduced appetite for marine risks in the Lloyd's market and this provides the opportunity for ITIC to pick up new business in a hardening and / or contracting market. The impact of Covid-19 on premium for the year just ended is estimated as de minimis. ITIC has reviewed its premium forecasts and there are looking strong. A cautious continuity credit in this uncertain market will further strengthen ITIC's retained reserves.

Claims. ITIC does not cover business interruption and as a result has not been exposed to this area in the same way as a lot of other insurance companies. A small number of error and omission claims have arisen directly as a result of Covid-19.

Disruption to markets generally impacts the profitability of contracts and ITIC has experience that this can lead to disputes and claims. ITIC has noticed a small an increase in claims in this area although nothing significant has arisen in the year just ended.

ITIC provides a limited amount of debt collection cover where ITIC will pay the costs of attempting to recover debt owed to the member. Given cash flow difficulties that have arisen in the economy, ITIC has seen some increased claims costs in this area.

ITIC observes that Covid-19 has had a limited impact on the 2020/21 financial year. ITIC's technical provisions, its most critical accounting estimate, is not considered to have been materially impacted by Covid-19.

Looking forward to the year end 31 May 2022, ITIC continues to have a small number of cases opened relating directly and indirectly to Covid-19. The final outcomes of these cases are thought to be not material.

Despite Covid-19, the overall level of claims for the 2021/22 year are expected to remain steady and will not impair ITIC's robust capital position.

Reinsurance. Regarding the reinsurance programme, ITIC places two types of policy: Firstly, it places an excess of loss programme, predominantly in the Lloyd's market, which covers claims above US$1m subject to up to US$3m of annual aggregate retention. Under ITIC's risk appetite, all excess of loss reinsurers are required to be rated A- or better. Although there were a number of other factors which contributed to increased reinsurance costs, the impact of Covid-19 on the renewal of the reinsurance programme on 15 April 2021 was immaterial. In addition, ITIC places a 90% quota share reinsurance arrangement with TIMIA. Although TIMIA is unrated, ITIC benefits from a fixed charge debenture over a minimum US$35m portfolio of assets in TIMIA (portfolio valuation US$40m at 31 May 2021). The strong reinsurance programmes in place are expected to continue to effectively mitigate ITIC's insurance risk with little risk of default.

In terms of ITIC's premium debtors, there has been no indication of any material default. Credit control is monitored in key performance indicators and is within the risk appetite set by ITIC. The risk of default is mitigated by the fact cancellation of cover due to non-payment entitles ITIC to cancel back to inception and hence not have any obligation to claims for that member arising within the year.

ITIC monitors its financial strength and looks to maintain capital in excess of its own solvency and risk assessment ("ORSA"). At its March 2021 board meeting, ITIC considered its ORSA and ran a number of post Covid-19 scenarios in order to determine the level of continuity credit to be paid to renewing members. The continuity credit was increased to reflect the strong performance during the year and the smaller impact from Covid-19 than was originally expected.

Impact on investment operations

ITIC's financial assets are held in assets in accordance with the investment mandate which was reviewed and updated during the year. The return for the 2020/21 year was strong at about 12%. However, continued uncertainty remains in the investment markets and ITIC continues to retain its investments within the investment mandate limits.

ITIC naturally balances its currency income and expenditure as well as its assets and liabilities. Thus few hedges are needed and these are generally in place only to position the investment portfolio into the splits set out in the investment mandate. Significant fluctuations in currencies are therefore not considered to materially impact ITIC's ability to continue as a going concern. If there are currency fluctuations, then the exchange differences are covered by an equal and opposite adjustment to the ceding commission on the quota share reinsurance contract.

Regarding cash flow risk, ITIC maintains key risk indicators ("KRI") to ensure that US$20m of cash can be made available within seven days in accordance with its risk appetite; ITIC comfortably exceeds this. Further, ITIC has not identified any immediate credit issues in its membership, and does not consider there to be a material cash flow risk as a result of Covid-19, at present. Furthermore, ITIC's cash flow is implicitly supported by ITIC's reinsurance contract with TIMIA.

Impact on Solvency II capital coverage

ITIC has key risk indicators to monitor its capital and liquidity positions. Given ITIC's robust position as discussed above, and following stress and scenario testing performed, ITIC is expected to continue to meet all Solvency II and own solvency needs assessment capital requirements.

Impact on going concern

The Directors have performed an assessment of the current and future impacts of Covid-19. As mentioned above, and following initial stress and scenario analysis performed alongside the ORSA, Covid-19 is not expected to materially impair ITIC's ability to continue as a going concern. ITIC sets out its own solvency needs assessment such that enough capital should be held to cover a 1 in 200 event followed by another 1 in 200 event in the same year. Thus the directors are confident that ITIC has the financial strength to overcome the worst possible outcome.

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that is considered to be in good faith, would most likely promote the success of the ITIC and benefit its members as a whole, and in doing so have regard to various other stakeholder interests, including the managers, regulators, brokers and reinsurers.

As a mutual insurer, ITIC exists for the benefit of its members, who are the insureds of ITIC. The key factors under section 172(1) are further considered below:

Companies Act Section 172(1)

The likely consequences of any long term decisions

The ITIC board considers ITIC's future operations and strategy at board meetings and at less formal strategy days. Decisions impacting the future of ITIC are carefully considered and, if appropriate, approved by the board.

Strategic Report (continued)

The interests of ITIC's employees

ITIC has no employees. It has outsourced its day to day operation to International Transport Intermediaries Management Company Limited ("ITIM"), a company owned by Thomas Miller Holdings Limited. The board of ITIC have appointed two of ITIM's directors to the main board.

The need to foster the ITIC's business relationships with suppliers, customers and others.

In terms of the wider community impacted by ITIC, as a mutual insurer, ITIC exists for the benefit of its members, who are also insureds of ITIC. To this end ITIC's board aims to provide a high quality service for a competitive price. From 1992, ITIC's success has enabled it to distribute excess funds back to members by way of continuity credits for renewing members.

ITIC outsources management of the day-to-day operations to ITIM. In this regard, the board ensures that any business conducted with ITIM is done so on appropriate terms.

Through its managers, ITIC maintains contact and high level engagement with the management of its key brokers and reinsurers. The board receives periodic updates on ITIC's key broker and reinsurer relationships.

The impact of ITIC's operations on the community and the environment.

As a service orientated organisation, ITIC does not consider itself to have a material impact on the environment. The board has established a policy on climate change which is owned by ITIC's Chief Underwriting Office and Chief Financial Officer and this considers the risk of climate change associated with ITIC.

ITIC considers the best interests of its members as a priority. This includes returning excess funds to its members by way of continuity credits, and acting as a sounding board for industry issues by participating and presenting in conferences on the benefits of having the appropriate professional indemnity insurance cover.

The desirability of ITIC maintaining a reputation for high standards of business conduct.

The board has in place a conduct risk policy that applies to both the board and the managers and ensures that ITIC does the right things for its customers whilst keeping them, and the integrity of the markets in which they operate central to everything that ITIC does.

The need to act fairly between members of ITIC.

The conduct risk policy as referred to above, ensures that customers are treated fairly. In addition the board has established a conflicts of interest policy which ensures that any conflict of interest around member issues are appropriately disclosed and dealt with at board level.

The directors therefore consider that the requirements of Section 172(1) are appropriately addressed within ITIC's policies and procedures.

Future Development

The directors expect that the coming year will show an increase in premium, potentially some additional claims and a continuing volatile investment market. It is expected that ITIC will maintain a sustainable level of business activity for the foreseeable future.

Membership

As at this date, 606 members' main activity was ship agency (port and liner agency), 582 ship and bunker brokers, 382 ship, crew, commercial and yacht management, 1,066 marine surveying (including Lloyd's Agents, hydrographic surveyors and P&I Club Correspondents) and naval architects and 684 representing other professionals in the transport industry. Some members carry on more than one of these activities and many members are insured jointly with their subsidiary or related companies. The membership is drawn from 130 countries the majority being from Europe, with a substantial number of members from North America, Australasia, the Far East and the Middle East.

Risk Management

ITIC has risk management procedures in place which address the five risk areas laid out in the Prudential Regulation Authority's Handbook. These are credit risk, market risk, liquidity risk, operational risk and insurance risk. ITIC has developed a business risk assessment which defines the risks and sets out the procedures that are in place to mitigate those risks. The business risk assessment is reviewed regularly by the board.

ITIC has taken steps, where appropriate and possible, to mitigate the risks with internal controls and procedures and management oversight. Where appropriate, ITIC monitors its risks through regular reporting of monetary and non-monetary risks via a series of key risk indicators. These are presented to the board and / or AIR committee four times per year. ITIC's principal risks and uncertainties are to insurance (including Loss of financial strength and Loss of business to competition); market (including loss or impairment of investments), currency, credit, liquidity and cashflow risks are further explained in note 4 of these financial statements. ITIC accepts levels of risk in different areas as set out in its Risk Appetite Statement.

ITIC addresses other risks namely political (including change to UK tax agreement) and climate change risk. ITIC considers how these could impact the financial risks and insurance risk exposures via its emerging risks log as well as via the climate change policy and plan. ITIC also considers fraud risks (including misappropriation of investment funds) and this is managed through the fraud risks register.

ITIC currently has a climate change policy and plan to address the relevant environmental, social and governance requirements and this is being refined during 2021. ITIC has put in place a policy to assist in managing the financial risks associated with the effects of climate change and to ensure that ITIC has adequate oversight and control of this area and understands how climate change relates to other risk groups. The financial risks emanating from climate change can impact other risk groups, specifically the strategy, insurance, credit and market risk areas. Financial risks from climate change arise through two primary channels, being physical and transition factors. In addition, liability can arise from third parties who have suffered loss or damage from physical or transition risk factors associated with climate change.

The objective of the climate change policy is to:

i. embed the consideration of the financial risks from climate change in ITIC's governance arrangements;
ii. incorporate the financial risks from climate change into existing financial risk management practice;
iii. use (long term) scenario analysis to inform strategy setting and risk assessment and identification; and
iv. develop an approach to disclosure on the financial risks from climate change.

The board is responsible for setting the climate change policy and ensuring that there are adequate processes in place to monitor and manage the financial risks from climate change within the parameters defined by the risk appetite. The risk function is responsible for assessing and monitoring the risk profile from climate change against the risk appetite and its tolerances. Stress and scenario testing relating to financial risks from climate change is being developed by the risk function and will be monitored regularly. There is a review at the board and Audit Investment and Risk committee of key risks, including risks associated with climate change. The ORSA considers the impact of climate change on the organisation. Risk identification and management is in progress at 31 May 2021.

ITIC is comfortable that it has identified and taken into consideration its risk environment, as summarised above, and that it holds sufficient capital and reserves to cover its potential impact. The ITIC board approved its Own Risk and Solvency Assessment at the board meeting in March 2021 and this was submitted to the Prudential Regulation Authority shortly afterwards.

L G Säfverström - Chairman

A S Munro - Chief Executive Officer

15 July 2021

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

REPORT OF THE INDEPENDENT AUDITORS

Independent Auditors' Report to the Members of International Transport Intermediaries Club Limited ("ITIC")

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2021 and its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of International Transport Intermediaries Club Limited (the 'Company') for the year ended 31 May 2021 which comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Changes in Reserves, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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. Our audit opinion is consistent with the additional report to the Audit Investment and Risk Committee.

Independence

Following the recommendation of the Audit Investment and Risk Committee, we were appointed by the Board of Directors on 13 December 2002 to audit the financial statements for the year ending 31 May 2003 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 19 years, covering the years ending 31 May 2003 to 31 May 2021.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements;
- Checked the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the Company's forecast for the next 12 months considering the validity of assumptions made on premium and claims volumes; and
- Enquiries of the Directors and review of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast significant doubt on the Company's ability to continue as a going concern.

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

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

Overview

		2021	2020
Key audit matters	Valuation of Technical Provisions and Reinsurer's Share of technical provisions	Yes	Yes
	Revenue recognition	Yes	Yes
Materiality	Financial statements materiality:		
	US$2.21m (2020: US$2.1m) based on 5% (2020: 5%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of Technical Provisions and Reinsurer's Share of technical provisions As disclosed within note 2 (f), 3 and accounting policy and note 7 - 'claims provisions and related recoveries' on page 18 and 19, the gross technical provisions figure at the year-end was US$93.5m (2020 US$83.6m), with the net balance being US$7.3m (2020 US$7.1m). This is made up of individual claims estimates and claims Incurred But Not Enough Reported ('IBNER'). The valuation of technical provisions both gross and net of reinsurance is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements are made when determining the valuation of technical provisions. 1. Case estimates rely on: - The correct and timely entry of claims information onto the claims system before the year end; and - Adjustments being made to significant year end estimates and payments being absorbed by the Company's assessment of IBNER. 2. IBNER modelling is reliant on: - Relevant claims data being input correctly into actuarial models; and - The application of appropriate actuarial techniques, judgements and assumptions. 3. The Company reduced its insurance risk through a programme of quota share and excess of loss therefore the reinsurer's share of technical provisions is reliant on the assumptions and judgements on the gross figure.	We performed the following procedures: **Valuation of claim estimates:** - Tested the design and operating effectiveness of key controls over claim estimates established by management. These are key controls over initiation, processing, recording and reporting of claims estimates. - Agreed a sample of case estimates to supporting documentation such as legal correspondence and loss adjuster forms. - Reviewed the development of estimates against the previous year's reported position to ascertain whether those estimates were reasonable. **Cut-off of Case Reserves:** - Tested a sample of pre and post year end claims adjustments and payments near the year end, to check whether these adjustments and payments were accounted for in the correct period by agreeing to the claims estimation documents. **Valuation of IBNER:** - Reconciled all key actuarial inputs used in actuarial models to accounting records. - Our actuarial team performed walkthroughs in the Company's actuarial system of reserving to check the methodology and assumptions are applied consistently. - With the assistance of our actuarial team we examined the report produced by the Internal Chief Actuary. This included an assessment of the assumptions and methodologies used in determining the level of reserves carried at year end, including key uncertainties in determining the level of recorded reserves. - We held meetings with the Company's Chief Actuary, discussing the judgements, methodology and assumptions used to ensure that these were considered to be appropriate and consistent with prior year - Reviewed the development of estimates against the previous year's reported position to ascertain whether those estimates were reasonable. **Valuation of Reinsurance share of Technical Provisions:** - Recalculated the quota share element of the reinsurers' share of technical provisions in accordance with the quota share agreement. " Performed testing over other reinsurers' share of claims outstanding by obtaining the retention rates per policy year and recalculating the reinsurance share of claims estimates. **Key Observations:** - Based on our audit procedures performed we consider the judgements and assumptions made in the Valuation of Technical Provisions and reinsurer's share of technical provisions to be appropriate.
Revenue recognition As disclosed within note 2 (b-d) and note 5 - 'Premium including movement on unearned premium' the Gross Written Premium figure at the year-end was $56m (2020 $67m), with the gross Unearned premium figure $36.7m (2020 $35.6m). The Company underwrites multi-year policies, which incept throughout the year, giving rise to unearned premium as per note 5 within the financial statements. Earned premium is also reliant on the accuracy and completeness of data entered into the underwriting system. Therefore, any errors or omissions in data entry will affect the accuracy of revenue recognition. There is a risk that the revenue recognition policies may not reflect the underlying risk profile of the business underwritten due to the following: - Earnings pattern not following the exposure profile; - Unearned premiums reserve calculated incorrectly; and - Premiums incepting in the final months of the year not being appropriately included within the financial statements. The Company also recognises continuity credit which is netted off against gross written premium and there is also a risk that the continuity credit adjustments made during the life of policies may not be appropriately recognised in the financial statements.	We performed the following procedures: - Assessed whether the basis for recognising premiums were materially appropriate in accordance with the requirements of applicable accounting standards . - Reviewed the earnings methodology applied by the Company by line of business and assessed them against the requirements of applicable accounting standards. - For a sample of gross written premium we tested to ensure that the information input into the underwriting system agreed to the supporting documentation. - Recalculated the total of the unearned premiums reserve at the year end using the gross written premium data for the year. - Performed an analysis of the relationship between deferred acquisition costs and written acquisition costs by comparing these to the relationship between gross written premiums and unearned premiums to check that these are aligned. - For cut-off we tested a sample of pre and post year end premiums to check that the final month of premiums in the 2021 financial statements was complete by agreeing the sample to the relevant policy document ensuring is recorded in the correct financial year. For the continuity credit: - We recalculated a sample of policies to check that the 2nd year manual continuity credit calculation is in line with the approved circular for the underwriting year. **Key observations:** We consider that management's judgements in respect of the earnings of premium and estimation of premium are reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements	2021	2020
		US$	US$
Materiality		2.21	2.10
Basis for determining materiality	4.8% of net assets (2020: 5% of net assets)		
Rationale for the benchmark applied	As a mutual insurer, the main objective of ITIC is to maintain a sufficient level of reserves to cover the claims that arise within the Company. This is determined largely by the solvency of the Company and the accounting measure most relevant to this is net assets.		
Performance materiality		1.66	1.58
Basis for determining performance materiality	75% of financial statement materiality. We selected 75% as this was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.		

REPORT OF THE INDEPENDENT AUDITORS (continued)

Reporting threshold

We agreed with the Audit Investment and Risk Committee that we would report to them all individual audit differences in excess of US$110,500 (2020: US$105,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting
Strategic report and Directors' report.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations and the control environment in monitoring compliance with laws and regulations these relate to Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA); Companies Act; Employment law as well as accounting standards;
- Review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA);
- In assessing the susceptibility of the financial statements to material misstatement including fraud, we considered the fraud risk on management bias on valuation of technical provisions as well as earning patterns for the earning of premium;
- Review of the assumptions and methodology applied by the Company in the valuation of technical provisions to consider whether the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance), using our actuaries as auditors experts, refer to KAM 1 above;
- Enquiries of management and those charged with governance;
- Review of a sample of journal entries susceptible to fraud made throughout the year;
- enquiring of management, the Audit Committee and those charged with Governance, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Agreement of the financial statement disclosures to underlying supporting documentation; and

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Tom Reed
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Tom Reed (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor, London, UK
21 July 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 May 2021

	Notes	2021 US$ 000s	2021 US$ 000s	2020 US$ 000s	2020 US$ 000s
TECHNICAL ACCOUNT					
Gross premiums written	2, 5	55,953		67,086	
Less continuity credits raised	5	(9,521)		(18,385)	
Premiums written		46,432		48,701	
Outward reinsurance premiums	2, 6	(25,431)		(28,086)	
Net premiums written		21,001		20,615	
Change in gross provision for unearned premium less deferred continuity credits	5	38		(11,085)	
Reinsurers' share	6	(35)		9,976	
		3		(1,109)	
Earned premiums net of reinsurance	**6**		**21,004**		**19,506**
Claims paid					
Gross amount	7	(31,988)		(24,292)	
Reinsurers' share	7	26,859		19,951	
		(5,129)		(4,341)	
Change in the provision for claims					
Gross amount	7	(9,915)		(2,972)	
Reinsurers' share	7	9,719		2,606	
		(196)		(366)	
Claims incurred net of reinsurance	**7**		**(5,325)**		**(4,707)**
Net operating expenses	8		**(16,792)**		**(15,510)**
Balance on the technical account before investment income			**(1,113)**		**(711)**
Transfer of investment result from the non-technical account			**3,035**		**1,815**
Balance on the technical account			**1,922**		**1,104**
NON-TECHNICAL ACCOUNT					
Balance on the technical account			**1,922**		**1,104**
Investment result - realised	14	4,584		(546)	
Unrealised (losses) / gains on investments	14	(1,549)		2,361	
Transfer of investment result to the technical account		(3,035)		(1,815)	
Other income – exchange gains	15	2,693		1,629	
			2,693		1,629
Surplus before tax			**4,615**		**2,733**
Tax	16		(575)		(363)
Surplus after tax			**4,040**		**2,370**

All the above transactions relate to continuing activities. There is no other comprehensive income. The notes on pages 17 to 32 form an integral part of these financial statements.

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

STATEMENT OF FINANCIAL POSITION **Company No 2725312**
as at 31 May 2021

	Notes	2021 US$ 000s	2021 US$ 000s	2020 US$ 000s	2020 US$ 000s
ASSETS					
Investments					
Other financial investments	2, 17		68,703		62,378
Forward Contracts	17		7		59
Reinsurers' share of technical provisions					
Unearned premium provision	6	32,987		32,023	
Claims outstanding	7	86,217		76,498	
			119,204		108,521
Debtors					
Arising out of direct insurance operations	18	25,434		24,519	
Arising out of reinsurance operations	18	122		1,491	
Other debtors	19	305		552	
Deferred Tax Asset		-		-	
			25,861		26,562
Other Assets					
Cash at bank			5,987		12,216
Prepayments and accrued income					
Accrued interest		294		338	
Deferred acquisition costs	10	5,103		5,300	
Prepayments		-		51	
			5,397		5,689
TOTAL ASSETS			**225,159**		**215,425**
LIABILITIES					
Reserves					
Income and expenditure account			46,142		42,102
Technical provisions					
Provision for unearned premiums	5	36,653		35,580	
Claims outstanding – gross amount	7	93,496		83,612	
			130,149		119,192
Creditors					
Arising out of direct insurance operations - amounts due to members / brokers		207		301	
Arising out of reinsurance operations	20	40,640		42,651	
Other creditors including taxation and social security	21	2,215		1,763	
			43,062		44,715
Accruals	22		5,806		9,416
TOTAL LIABILITIES AND RESERVES			**225,159**		**215,425**

The notes on pages 17 to 32 form an integral part of these financial statements.

The financial statements on pages 13 to 32 were approved by the directors on 15 July 2021.

L G Säfverström
Director

M Shakesheff
Director

A S Munro
Director and Chief Executive Officer

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

STATEMENT OF CHANGES IN RESERVES
as at 31 May 2021

	2021 US$ 000s	2020 US$ 000s
Balance at start of the year	42,102	39,732
Surplus for the year	4,040	2,370
Other comprehensive income for the year	-	-
Balance at end of the year	**46,142**	**42,102**

The notes on pages 17 to 32 form an integral part of these financial statements.

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

CASH FLOW STATEMENT
for the year ended 31 May 2021

	2021 US$ 000s	2020 US$ 000s
Operating activities		
Calls & premiums received, net of continuity credit paid	45,423	37,937
Reinsurance premium paid	(27,568)	(12,242)
Claims paid	(31,988)	(24,292)
Reinsurance recoveries received	28,228	19,287
Acquisition costs	(9,547)	(9,942)
Operating expenses paid	(10,013)	(4,177)
Interest and dividends received	4,316	(1,052)
Taxation paid	(344)	(206)
Net cash (utilised) / provided by operating activities	**(1,493)**	**5,313**
Investing activities		
Purchase of investments	(19,404)	(31,531)
Sale of investments	11,842	29,557
Exchange gains / (losses)	2,826	1,531
Net cash used in investing activities	**(4,736)**	**(443)**
Net change in cash and cash equivalents	**(6,229)**	**4,870**
Cash and cash equivalents at the beginning of the year	12,216	7,346
Cash and cash equivalents at the end of the year	**5,987**	**12,216**

The notes on pages 17 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Constitution

ITIC is incorporated in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital. ITIC's company registration number is 2725312 and its registered address is 90 Fenchurch Street, London EC3M 4ST.

In the event of ITIC's liquidation the net assets of ITIC are to be distributed among the current members in proportion to the amounts of premium payable by them during the preceding three years.

Note 2 Accounting policies

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

The financial statements have been prepared in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for financial investments which are presented at fair value.

The company has reserves of US$46,142,000 (2020: US$42,102,000). The solvency ratio as at 30 November 2020, when last calculated, was 458% (retained reserves US$43,755,000) compared to the previous year end, 31 May 2020 where it was 423% based on the standard formula solvency capital requirement applicable to it. The solvency ratio as at 31 May 2021 is expected to exceed the 30 November 2020 position. The directors have considered the impact of Covid-19, as disclosed in the Strategic Report and Directors' Report. 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 ITIC's ability to continue to do so for at least 12 months from the date of authorisation of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

(b) Policy year accounting

ITIC's business is accounted for on an annual basis. Each policy year runs in line with the club financial year. For reporting the policy year position to the members, calls and premiums together with reinsurance premiums are allocated to the policy years in which they incept. Claims and related reinsurance recoveries are allocated to the policy year in which the claim is first notified. General expenses and management fees are allocated to the current policy year. A policy year is usually closed during the policy year following the year of inception during which time members are liable for their rateable proportion of any deficiency resulting from an excess of claims and expenses over income. The board are empowered to return premium via a continuity credit if they believe that it is appropriate to do so. The policy year position is shown in the analysis of funds section within the strategic report.

The income and expenditure account for a year represents the aggregate of changes during the financial year on all policy years.

(c) Gross written premiums

Gross written premiums arise from annual and multi-year policies. All premiums are recognised on inception of the policy. Gross written premiums are the total receivable for contracts entered into during the accounting period together with any premium adjustments relating to prior periods. Continuity credits are discounts provided to renewing members against the renewed policy. All premiums and continuity credits are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon. The continuity credit is a mechanism used to return surpluses on policy years to the long term members of the club, helping the club satisfy its mutual obligations.

Gross written premiums arise from direct insurance and from fronted reinsurance. Fronted reinsurance arises where policies are underwritten in the name of another entity which then wholly reinsures the risk into ITIC. This approach will be used when ITIC needs a facility to underwrite in certain countries where it is not permitted and admitted. ITIC continues to underwrite in the EU using a Dutch company, UK P&I N.V. to front for it. The terms, policy wordings and accounting recognition for fronted reinsurance are the same as for the direct insurance written.

(d) Unearned premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis with the unearned portion recognised in the balance sheet. Similarly, continuity credit costs are recognised over the period of the policy on a time apportioned basis, as a discount to premiums.

(e) Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date.

Note 2 Accounting policies (continued)

(f) Claims

Claims are the legal costs and expenses of the members covered by ITIC. They include all claims notified during the year, whether paid, estimated by the management or where claims reserves have been created to cover future deterioration, together with current and future claims handling fees. Claims also include adjustments for claims outstanding from previous years.

Statement of financial position

The claims provision, recognised as a part of technical provisions in the statement of financial position, comprises:

i) Estimated claims as at the statement of financial position date on notified claims outstanding in all policy years;

ii) Additional provision to allow for adverse developments on estimated claims including those claims where no estimate is currently thought to be required. This comprises a provision for claims incurred but not enough reserved ("IBNER") plus a claims margin;

iii) Provision for the managers' future claims handling costs; and

iv) Since ITIC insures on a claims made basis, there is no need to provide for incurred but not reported claims.

The risks associated with insurance contracts are complex and subject to a number of variables. ITIC uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and ultimate claims numbers.

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

Income and expenditure account

The figure for claims incurred in the income and expenditure account comprises claims and costs paid during the year, the claims handling costs of the managers and the movement in the claims provision since the last statement of financial position date.

(g) Reinsurance recoveries

The claims liabilities of ITIC are reinsured for claims costing above certain levels. In addition, claims within ITIC's retention are reinsured on a 90 per cent quota share basis. The figure credited to the income and expenditure account for reinsurance recoveries represents receipts and amounts due or estimated under these arrangements on claims already notified. The quota share reinsurance policy also provides for recovery of 100% of management and general expenses and the currency gains / losses.

(h) Outward reinsurance premiums

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inward reinsurance business being reinsured.

(i) Financial instruments

ITIC has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation and disclosure of its financial assets. Investments in short term deposit funds and the foreign exchange security deposit are designated in the statement of financial position at fair value through profit or loss. Fair value is calculated using the bid price at the close of business on the statement of financial position date. Those purchased in foreign currencies are translated into sterling on the date of purchase. The fair value of foreign currency investments is translated at the rate of exchange ruling at the statement of financial position date.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when ITIC has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

ITIC enters into basic financial instrument transactions that results in the recognition of financial assets and liabilities such as insurance debtors and creditors, these are initially measured at cost or amortised cost and are accessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found a provision is recognised in the statement of income and expenditure.

(j) Other financial investments

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

Investments are included in the statement of financial position at market value translated at year end rates of exchange. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports. Derivatives held as investments of ITIC, are classified as fair value through profit and loss in line with the treatment of other investments.

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

The costs of investments denominated in currencies other than US dollars are translated into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the income and expenditure account. 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.

(k) Investment returns

Investment returns comprise dividend income from equities, income on fixed interest securities and interest on deposits and on cash. As part of ITIC's quota share reinsurance arrangements with TIMIA, the total ITIC and TIMIA investment result is apportioned between the two companies on a 10:90 split.

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

(l) Cash and cash equivalents

Cash and cash equivalents consist of: cash in hand, balances with banks and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

(m) Foreign currencies

ITIC's functional and presentation currency is US dollars and the figures shown within the financial statements are rounded to the nearest thousand.

Transactions in foreign currencies have been translated into US dollars at the rate applicable for the month in which the transaction took place. At each reporting date, monetary assets and liabilities that are denominated on foreign currencies, are translated into US dollars at the rates of exchange ruling at the end of the reporting period.

All exchange gains and losses, whether realised or unrealised, are included in the foreign exchange gains and losses in the income and expenditure account.

(n) Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. The company is a mutual and is not taxed on its operating result or exchange gains / (losses) but only on its investment income. Tax is calculated 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. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in the 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.

Note 3 Critical accounting estimates and judgements

ITIC 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 following critical accounting estimates and judgements are made by ITIC:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is ITIC's most critical accounting estimate. The carrying amount for the liability and any related reinsurance recovery is shown in the notes to the accounts. There are several sources of uncertainty that need to be considered. Estimates are made for the expected ultimate cost of claims reported at the end of the reporting period and thus comprise of case estimates plus an additional provision for claims IBNER (see note 2f).

The provision for IBNER is generally subject to a greater degree of uncertainty than the case estimates. In calculating the estimated liability, ITIC uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The methods used and estimates made, are reviewed regularly.

Note 4 Management of risks

ITIC is governed by the board of directors which drives decision making within ITIC from board level through to operational decision making within the managers. The board considers the type and scale of risk that ITIC is prepared to accept in its ordinary course of activity and this is used to develop strategy, risk appetite and decision making.

ITIC is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which ITIC is exposed through its core activity as a provider of insurance services plus the broader range of risks. ITIC's considers its key risks as the following:

- Insurance risk - incorporating underwriting and reserving risk;
- Market risk - incorporating investment risk, and interest rate risk;
- Currency risk - the risk of adverse currency exchange movements;
- Credit risk - the risk that a counterparty is unable to pay amounts in full when due; and
- Liquidity and cash flow risk - the risk that cash may not be available to pay obligations as they fall due.

Financial risk management objective

ITIC is exposed to financial risk through its financial investments, reinsurance assets and liabilities to policy holders. 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.

ITIC manages these risks using a risk governance structure incorporating the managers' risk committee and the Audit Investment & Risk Committee. Further details can be found in the Strategic Report on pages 6 to 9.

The board is responsible, advised by ITIC's Chairman working with the Audit Investment & Risk 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 ITIC which are analysed as part of the ORSA process.

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

(a) Insurance risk

ITIC'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 ITIC from a member. The risk is managed by the underwriting process, acquisition of the reinsurance cover, and the management of claims costs.

ITIC's main insurance risks can arise from:
- Inappropriate underwriting of risks;
- Prohibitive cost / unavailability of reinsurance;
- Failure to react to major increase in claims;
- Impact of new legislation on risks written; and
- Over reliance on significant premium payers.

The objective of ITIC's insurance risk management process is to establish effective underwriting, reinsurance and reserving strategies which are agreed and monitored by ITIC's board in accordance with its risk appetite statement.

ITIC establishes provisions for unpaid claims and related expenses to cover its expected liability. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by management.

ITIC 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 and this is monitored in ITIC's Key Risk Indicators which are reported to the board and Audit Investment & Risk Committee at their meetings.

The results of sensitivity testing are set out below, showing the impact on the surplus before tax, gross and net of reinsurance. The impact of the change in a single factor is shown, with the assumption unchanged. The sensitivity was chosen because the loss ratio is a key performance indicator of the business. The analysis assumes that a change in loss ratio is driven by the change in claims incurred. The 5% assumption for sensitivty is chosen to demonstrate a typical level of swing that might be experienced.

	2021	2020
	US$	US$
Increase in loss ratio by 5 percentage points from 50.4% to 55.4% (2020 - 42.1% to 47.1%)	000s	000s
Based on gross premium net of acquisition costs	(2,502)	(2,428)
Based on gross premium net of acquisition costs and reinsurances	(226)	(224)

A 5 per cent decrease in loss ratios would have an equal and opposite effect.

Note 4 Management of risks (continued)

Underwriting process

ITIC has an underwriting policy which is approved by the board annually which manages the underwriting risk. The policy sets out the processes by which the risk is managed.

ITIC operates a risk rating system which provides underwriting parameters for assessing the premium to be charged. All policies are signed off by the underwriting director or an individual delegated by the underwriting director.

Reinsurance

ITIC's reinsurance programme is designed to manage risk to an acceptable level to optimise ITIC's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and a 90% quota share arrangement with TIMIA.

Reserving process

ITIC establishes provisions for unpaid reported claims and relating expenses to cover its expected liability. These provisions are established through the application of actuarial techniques and assumptions as set out in note 3 of the financial statements as directed and reviewed by the Audit Investment & Risk Committee. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior members of the managers and ITIC's Audit Investment & Risk Committee.

ITIC considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected result.

(b) Market - interest rate risk

ITIC's investment policy is set to ensure that the duration of the investment portfolio is appropriately matched to the duration of the policyholders' liabilities. Interest rate risk is monitored by comparing the mean duration of the investment portfolio and that of the policyholders' liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates.

Interest rate is considered a key factor impacting the investment result of the business. 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. In the event of a parallel shift of yield curve up by 100 basis points, the benchmark portfolio value will move by the modified duration of approximately three years. This will result in a circa 3% loss on the fixed income portfolio. For ITIC’s actual fixed income investments, a parallel shift of the yield curve up by 100 basis points would result in a loss for the period and a decrease in investment values of approximately US$1,492,000 (2020: US$2,302,000) if all other assumptions remain unchanged. A parallel shift of the yield curve down by 100 basis points would result in an increase of approximately equal magnitude in investment values if all other assumptions remain unchanged.

Note 4 **Management of risks (continued)**

(c) Currency risk

ITIC is exposed to currency risk in respect of assets under policies of insurance denominated in currencies other than US dollars. The most significant currency risk to which ITIC is exposed to are pounds sterling and the Euro.

The following table shows ITIC's net retained reserves by currency. ITIC seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities within the financial investments denominated in the same currency. It should be noted that the table presented below shows balances arising from insurance and reinsurance contracts, the balance with quota share reinsurer and other debtors and creditors. The totals do not reconcile directly to those presented in the primary statements because part of the balance with the quota share reinsurer is included withiin the debtor and creditor balances.

2021	US$ US$ 000s	GBP US$ 000s	EUR US$ 000s	Other US$ 000s	Total US$ 000s
Debt securities, UCITS and cash	72,344	2,175	465	-	74,984
Forward Contracts	(13,305)	523	12,789	-	7
Balances arising from insurance and reinsurance contracts	10,083	(1,915)	1,083	(503)	8,748
Other debtors and creditors	(3,916)	(331)	(160)	(124)	(4,531)
Gross claims provisions	(67,074)	(11,409)	(13,817)	(1,196)	(93,496)
Balance with quota share reinsurer	43,318	8,845	7,576	691	60,430
Total retained reserves	41,450	(2,112)	7,936	(1,132)	46,142

2020	US$ US$ 000s	GBP US$ 000s	EUR US$ 000s	Other US$ 000s	Total US$ 000s
Debt securities, UCITS and cash	70,337	2,233	2,362	-	74,932
Forward Contracts	(4,930)	2,659	2,330	-	59
Balances arising from insurance and reinsurance contracts	(1,095)	(1,349)	(143)	(304)	(2,891)
Other debtors and creditors	(2,058)	(240)	588	(82)	(1,792)
Gross claims provisions	(63,964)	(8,110)	(11,538)	-	(83,612)
Balance with quota share reinsurer	42,317	6,533	6,281	275	55,406
Total retained reserves	40,607	1,726	(120)	(111)	42,102

The change in exchange rates of sterling and the euro is the most likely cause of significant exchange gains or losses, hence these currencies are used for the sensitivity analysis. A 5 per cent strengthening of the following currencies against the US dollar would be estimated to have increased / (decreased) the surplus after tax and reserves at the year-end by the following amounts:

	Effect on Surplus after tax
As at 31 May 2021	
Sterling	(106)
Euro	397
As at 31 May 2020	
Sterling	86
Euro	(6)

A 5 per cent weakening of these currencies against the US dollar would have an equal and opposite effect.

Note 4 Management of risks (continued)

(d) Credit risk

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

- Reinsurers' share 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; and
- Counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge ITIC's liability as primary insurer. If a reinsurer fails to pay a claim, ITIC remains liable for the payment to the policyholder.

Credit risk on reinsurance balances is mitigated by assessing the creditworthiness of the reinsurer before it is used and strict criteria are applied (including rating the financial strength of the reinsurer) before a reinsurer is approved. All excess of loss reinsurance contracts are subject to an A- or above rating. The quota share reinsurance is placed with TIMIA. TIMIA is unrated but ITIC holds a fixed charge of US$40.3m on the TIMIA investments portfolio. This provides satisfactory mitigation comfort over the credit risk.

Debtors arising out of direct insurance operations comprise premium owed by the members of the club. Credit risk relating to this risk is managed through take on procedures for the assured. Furthermore, if the assured does not pay, then cover may be cancelled back to inception.

Counterparty limits based on the credit ratings are also in place in relation to the 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 May 2021. The credit rating bands are provided by independent ratings agencies:

2021	AAA US$ 000s	AA US$ 000s	A US$ 000s	BBB+ or less or not rated US$ 000s	Total US$ 000s
Fixed interest - Government	-	50,300	-	-	50,300
Fixed interest - Corporate	-	2,514	-	-	2,514
Forward Contracts	7	-	-	-	7
UCITS	15,889	-	-	-	15,889
Claims recoveries excess of loss reinsurance	-	-	14,741	-	14,741
Claims recoveries quota share reinsurance	-	-	-	71,476	71,476
Cash	-	-	-	5,987	5,987
Arising for insurance and reinsurance operations	-	-	-	25,556	25,556
Total	15,896	52,814	14,741	103,019	186,470

2020	AAA US$ 000s	AA US$ 000s	A US$ 000s	BBB+ or less or not rated US$ 000s	Total US$ 000s
Fixed interest - Government	-	58,500	-	-	58,500
Fixed interest - Corporate	-	2,556	-	-	2,556
Forward Contracts	59	-	-	-	59
UCITS	1,322	-	-	-	1,322
Claims recoveries excess of loss reinsurance	-	-	6,885	-	6,885
Claims recoveries quota share reinsurance	-	-	-	69,613	69,613
Cash	-	-	-	12,216	12,216
Arising for insurance and reinsurance operations	-	-	-	26,010	26,010
Total	1,381	61,056	6,885	107,839	177,161

ITIC's policy is to make a full provision against all reinsurance debts with an age in excess of two years and fifty per cent for reinsurance debts between one and two years old. ITIC issues notices of cancellation against premium debts greater than 60 days overdue unless there is good reason not to do so. In the event of cancellation the policy is cancelled back to inception.

Claims recovery balances in respect of quota share reinsurance include US$40,329,000 (2020 - US$40,203,000) covered by a fixed charge on a portfolio of assets held by Transport Intermediaries Mutual Insurance Association Limited.

After assessing all other financial assets at the end of the year, no objective evidence was found to suggest that any were impaired (2020: no impairments).

Note 4 **Management of risks (continued)**

(e) 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. ITIC 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 May 2021 ITIC's short term deposits amounted to US$5,987,000 (2020: US$12,216,000). The tables below provide a maturity analysis of ITIC's financial instruments. The assets in the below tables are not impaired due to the fact that their full value are deemed to be recoverable.

2021	Less than 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	Carrying value in the statement of financial position US$ 000s
Debt securities	15,890	16,396	11,765	24,652	-	68,703
Forward Contracts	7	-	-	-	-	7
Reinsurers share of technical provisions - claims outstanding	17,922	12,827	19,247	11,707	24,514	86,217
Debtors arising from insurance contracts	10,461	13,268	1,828	-	-	25,556
Other debtors	305	-	-	-	-	305
Cash and cash equivalents	5,987	-	-	-	-	5,987
Creditors	(1,837)	(585)				(2,422)
Technical provisions - claims outstanding	(19,436)	(13,910)	(20,872)	(12,695)	(26,583)	(93,496)
Creditors arising from reinsurance operations	(1,200)	(15,810)	-	-	(23,630)	(40,640)
Total	28,099	12,186	11,968	23,664	(25,699)	50,217

2020	Less than 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	Carrying value in the statement of financial position US$ 000s
Debt securities	1,322	-	2,557	29,674	28,826	62,378
Reinsurers share of technical provisions - claims outstanding	18,413	10,202	16,297	10,594	20,992	76,498
Debtors arising from insurance contracts	13,707	10,451	1,852	-	-	26,010
Other debtors	552	-	-	-	-	552
Cash and cash equivalents	12,216	-	-	-	-	12,216
Creditors	(1,710)	(354)				(2,064)
Technical provisions - claims outstanding	(20,125)	(11,150)	(17,813)	(11,580)	(22,944)	(83,612)
Creditors arising from reinsurance operations	(1,143)	(17,878)	-	-	(23,630)	(42,651)
Total	23,232	(8,730)	2,893	28,689	3,244	49,327

(f) Capital management

ITIC maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with ITIC's risk profile and the regulatory requirements of the business. As at 31 May 2021, the total free reserves available amounted to US$46,144,000 (2020: US$42,102,000). ITIC's strategy is to maintain sufficient capital to exceed the Standard Formula Solvency II Capital Requirements ("SF SCR") such that there is less than a 1 in 200 chance of breaching this requirement over the subsequent year. The solvency ratio as at 30 November 2020, when last calculated, was 458% (retained reserves US$43,755,000) compared to the previous year end, 31 May 2020 where it was 423% based on the standard formula solvency capital requirement applicable to it. The solvency ratio as at 31 May 2021 is expected to exceed the 30 November 2020 position. The solvency position is reviewed by the board on an ongoing basis with a view to maintaining a level of capital sufficient to cover significant risks and regulatory requirements and these have not been breached in the current year.

Note 5 **Premium including movement on unearned premium**

ITIC writes only one class of business. Premium is written in one or two year policies and the renewal of these policies is uneven. As a result, more premium is written in years ending in an even number. The business review clearly summarises the premium on an earned basis and this shows a more even split between consecutive years. On 1 November 2019, as part of the Brexit solution, ITIC commenced underwriting through UK P&I NV in the Netherlands to write business in other EU countries. This is done on a fronting arrangement and the business is 100% reinsured to ITIC.

	2021 US$ 000s	2020 US$ 000s
Gross premium written:		
Direct insurance - members located in UK	15,004	17,439
Direct insurance - members located in other EU States	-	13,348
Direct insurance - members located outside EU	26,556	27,928
Reinsurance - members located in other EU States	14,393	8,371
	55,953	**67,086**

Note 5 **Premium including movement on unearned premium (continued)**

Unearned premium is that part of gross premiums written, net of continuity credits, which is estimated to be earned in the following or subsequent financial years. The income and expenditure account shows the change in the provision for unearned premium and comprises the following:

	2021 Premium US$ 000s	2021 Continuity credit US$ 000s	2021 Total US$ 000s	2020 Premium US$ 000s	2020 Continuity credit US$ 000s	2020 Total US$ 000s
Written in year	**55,953**	**(9,521)**	46,432	**67,086**	**(18,385)**	48,701
Unearned provision brought forward	49,276	(13,696)	35,580	39,061	(14,817)	24,244
Foreign exchange differences	1,354	(243)	1,111	467	(216)	251
Less: Unearned provision carried forward	(46,797)	10,144	**(36,653)**	(49,276)	13,696	**(35,580)**
Movement in year	3,833	(3,795)	**38**	(9,748)	(1,337)	**(11,085)**
Earned / expensed in year	**59,786**	**(13,316)**	46,470	**57,338**	**(19,722)**	37,616

Note 6 **Outward reinsurance premiums**

Outward reinsurance premiums comprise quota share premium, continuity credit and acquisition costs between ITIC and TIMIA. In addition, there is the excess of loss insurance cost less the quota share in relation to this. Further there is a quota share ceding commission between ITIC and TIMIA.

	2021 Outward quota share reinsurance on premium US$ 000s	2021 Outward quota share reinsurance continuity credit US$ 000s	2021 Other reinsurance US$ 000s	2021 Total US$ 000s	2020 Outward quota share reinsurance on premium US$ 000s	2020 Outward quota share reinsurance continuity credit US$ 000s	2020 Other reinsurance US$ 000s	2020 Total US$ 000s
Written in year	(50,358)	8,568	-	(41,790)	(60,455)	16,556	-	(43,899)
Plus ceding commissions from TIMIA	-	-	9,924	9,924	-	-	9,973	9,973
Plus quota share on acquisition costs (note 10)	-	-	6,912	6,912	-	-	6,224	6,224
Less excess of loss insurance			(4,767)	(4,767)			(3,843)	(3,843)
Plus quota share reinsurance - excess of loss	-	-	4,290	4,290	-	-	3,459	3,459
Outward reinsurance premiums				**(25,431)**				**(28,086)**
Unearned provision brought forward	(44,349)	12,326	-	(32,023)	(35,155)	13,335	-	(21,820)
Foreign exchange differences	(1,218)	219	-	(999)	(421)	194	-	(227)
Less: Unearned provision carried forward	42,117	(9,130)	-	32,987	44,349	(12,326)	-	32,023
Reinsurers share	**(3,450)**	**3,415**	**-**	**(35)**	**8,773**	**1,203**	**-**	**9,976**
Earned / expensed in year	(53,808)	11,983	16,359	(25,466)	(51,682)	17,759	15,813	(18,110)
Earned premiums net of reinsurance				**21,004**				**19,506**

The ceding commission from TIMIA is calculated in accordance with the reinsurance contract with TIMIA. The reinsurance payable to TIMIA is calculated after adjustment of operating costs and exchange movements incurred by ITIC. The quota share on acquisition costs refers to 90% of the acquisition costs incurred by ITIC on its premium income and transferred on to TIMIA, again this is part of the reinsurance contract with TIMIA.

Note 7 Claims including reinsurance recoveries

	2021 Claims paid US$ 000s	2021 Claims recovery excess US$ 000s	2021 Claims recovery quota share US$ 000s	2021 Claims recoveries total US$ 000s	2020 Claims paid US$ 000s	2020 Claims recovery excess US$ 000s	2020 Claims recovery quota share US$ 000s	2020 Claims recoveries total US$ 000s
Claims paid	(29,058)	7,070	19,789	26,859	(21,651)	4,646	15,305	19,951
Claims handling fees	(2,930)	-	-	-	(2,641)	-	-	-
	(31,988)	**7,070**	**19,789**	**26,859**	**(24,292)**	**4,646**	**15,305**	**19,951**
Technical provisions at beginning of the year	83,612	(6,885)	(69,613)	(76,498)	80,638	(13,179)	(60,714)	(73,893)
Exchange differences	(31)	-	-	-	2	1	-	1
Technical provisions at the end of the year	(93,496)	14,741	71,476	86,217	(83,612)	6,885	69,613	76,498
Change in the provision for claims	**(9,915)**	**7,856**	**1,863**	**9,719**	**(2,972)**	**(6,293)**	**8,899**	**2,606**
Claims incurred	(41,903)	14,926	21,652	36,578	(27,264)	(1,647)	24,204	22,557
Net claims incurred, being claims paid less total claims recoveries				**(5,325)**				**(4,707)**

The reinsurers' share represents that part of the claims provision which is recoverable from reinsurers and is based on estimated recoveries against estimated claims and cost provisions.

Development claims tables

The development of insurance liabilities provides a measure of ITIC's ability to estimate the ultimate value of claims. The top half of each table below illustrates ITIC's estimate of total claims outstanding for each policy year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the statement of financial position.

Gross insurance claims liability before excess of loss or quota share reinsurance recoveries:

Reporting year ended 31st May	2012 US$ 000s	2013 US$ 000s	2014 US$ 000s	2015 US$ 000s	2016 US$ 000s	2017 US$ 000s	2018 US$ 000s	2019 US$ 000s	2020 US$ 000s	2021 US$ 000s
At end of the reporting year	22,349	24,260	23,538	21,949	23,902	23,902	23,101	24,800	28,100	32,509
1 year later	17,861	21,971	21,600	18,991	22,651	18,200	31,138	24,737	39,020	
2 years later	16,306	19,743	23,696	14,200	18,498	15,700	29,543	23,706		
3 years later	16,420	18,134	21,633	15,149	18,733	13,000	25,531			
4 years later	16,186	18,173	20,361	13,769	17,793	13,000				
5 years later	16,445	20,990	19,897	17,462	16,992					
6 years later	15,568	19,756	18,715	17,978						
7 years later	15,498	17,560	19,860							
8 years later	14,894	18,134								
9 years later	15,370									
Estimate of ultimate claims	15,370	18,134	19,860	17,978	16,992	13,000	25,531	23,706	39,020	32,509
Cumulative payments to date	(14,622)	(17,757)	(17,687)	(13,279)	(14,045)	(7,471)	(18,451)	(10,543)	(19,984)	(4,689)
Liability recognised	748	377	2,173	4,699	2,947	5,529	7,080	13,163	19,036	27,820

Claims liabilities for ten years above	83,572
Claims liabilities greater than ten years	4,224
Claims run off provision	5,700
Total technical provisions included in statement of financial position: Claims outstanding – gross amount	93,496

Note 7 **Claims including reinsurance recoveries (continued)**

Insurance claims liability net of excess of loss and quota share reinsurance recoveries:

Reporting year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s	US$ 000s
At end of the reporting year	2,220	2,220	2,345	2,190	2,390	2,300	2,210	2,230	2,810	3,254
1 year later	1,760	2,120	2,160	1,899	2,170	1,820	2,350	2,474	3,902	
2 years later	1,585	1,940	2,080	1,420	1,760	1,570	2,954	2,371		
3 years later	1,520	1,760	1,880	1,470	1,790	1,300	2,553			
4 years later	1,462	1,700	1,800	1,370	1,779	1,300				
5 years later	1,450	1,700	1,770	1,746	1,699					
6 years later	1,410	1,725	1,943	1,798						
7 years later	1,390	1,782	1,986							
8 years later	1,552	1,813								
9 years later	1,537									
Estimate of ultimate claims	1,537	1,813	1,986	1,798	1,699	1,300	2,553	2,371	3,902	3,254
Cumulative payments to date	(1,459)	(1,702)	(1,789)	(1,548)	(1,385)	(747)	(1,894)	(1,180)	(2,479)	(903)
Liability recognised	78	111	197	250	314	553	659	1,191	1,423	2,351

Claims liabilities for ten years above	7,127
Claims liabilities greater than ten years	152
Total technical provisions included in statement of financial position: Claims outstanding – net amount	7,279

Net technical provisions included in statement of financial position as the following:	
Claims outstanding - gross amount	93,496
Reinsurers' share - excess of loss reinsurers	(14,741)
Reinsurers' share - quota share reinsurer	(71,476)
Claims outstanding - net amount	7,279

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of notified claims. The estimates for known outstanding claims are based on the best estimates and judgement of the managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the statement of financial position date. The estimates are reviewed regularly. The gross provision for claims includes allowances for adverse development and the managers' future claims handling costs.

A reasonable allowance has been made for adverse claims development in the future. The allowance is assessed by an actuary using standard actuarial techniques. This methodology projects the claims statistics forward based on the historical pattern of claims experience of ITIC in the past.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all financial years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2020 / 2021 policy year.

Note 8 **Net operating expenses**

	Notes		2021 US$ 000s		2020 US$ 000s
Management fees	9		(5,861)		(5,281)
Acquisition costs	10		(9,744)		(8,769)
Directors' fees	11	(336)		(376)	
General expenses	12	(741)		(990)	
Fees payable to auditors - current year audit	13	(109)		(94)	
Fees payable to auditors - prior year audit over / (under) provision		(1)		-	
			(1,187)		(1,460)
			(16,792)		(15,510)

Note 9 **Management fees**

The fee paid to the managers relates to the cost of providing offices, staff and administration in London. The basis of this remuneration is fixed by the directors and is subject to periodic review.

The fees for the year to 31 May 2021 are based on four elements as follows:

i) The cost based element which covers the managers' costs in sterling;

ii) The operating incentive fee which is calculated at 2.7% of gross premium income;

iii) The investment incentive fee which is calculated at 0.1% of average funds under management subject to the investment return being a surplus;

iv) The investment incentive fee which is calculated at 50% of any outperformance of the investment benchmark return subject to a maximum of 0.2% of average funds under management; and

v) A further combined ratio incentive fee of US$100,000 per percentage point of combined ratio before continuity credit under 100%, subject to a cap and collar of US$1,000,000 either above or below a based expected fee of US$250,000.

The management fee cost is allocated in the technical account between management fee, acquisition costs and claims handling fees:

	2021 US$ 000s	2020 US$ 000s
Management fee	(5,861)	(5,281)
Acquisition costs (see Note 10)	(2,062)	(1,858)
Claims handling fees (see Note 7)	(2,930)	(2,641)
	(10,853)	(9,780)

Note 10 **Acquisition costs**

	2021 Acquisition costs US$ 000s	2021 Outward quota share reinsurance on acquisition costs US$ 000s	2021 Net acquisition costs US$ 000s	2020 Acquisition costs US$ 000s	2020 Outward quota share reinsurance on acquisition costs US$ 000s	2020 Net acquisition costs US$ 000s
(Credited) / debited in year	(7,351)	6,614	(737)	(8,033)	7,234	(799)
Unexpensed provision brought forward	(5,300)	4,770	(530)	(4,127)	3,714	(413)
Foreign exchange differences	(134)	121	(13)	(51)	46	(5)
Less: Unexpensed provision carried forward	**5,103**	(4,593)	510	**5,300**	(4,770)	530
Movement in year	(331)	298	(33)	1,122	(1,010)	112
(Acquisition costs expensed) / reinsurance credited in year	(7,682)	6,912	(770)	(6,911)	6,224	(687)
Allocation of acquisition costs from management fee	(2,062)			(1,858)		
Acquisition costs expensed after allocation of management fee	**(9,744)**			**(8,769)**		

Acquisition costs associated with the quota share arrangement are shown in note 6. The unexpensed provision for outward quota share reinsurance is shown in note 22.

Note 11 Directors' fees

The directors are paid an annual fee and a fee for each meeting attended, as follows, as authorised under the bye-laws. Fees were increased from the start of April 2020. The executive directors are not paid any directors' fees.

	2021 Annual fee £	2021 Attendance fee £	2020 Annual fee £	2020 Attendance fee £
Chairmen of main ITIC board and Audit Investment & Risk Committee	15,000	5,000	15,000	5,000
Chairman of Nominations Committee	10,000	5,000	5,000	5,000
Directors	5,000	5,000	5,000	5,000

The fees for the non-member non-executive directors appointed during the year are individually negotiated and were £20,000 and £33,000 for the year to 31 May 2021.

No loans have been made to the directors and none are contemplated.

Note 12 General expenses

	2021 US$ 000s	2020 US$ 000s
Marketing and servicing	(6)	(156)
Directors' meetings	(25)	(257)
Seminar / conference attendance	-	(6)
Printing and design	(1)	(5)
Advertising	(77)	(75)
Postage, telephone and fax	(22)	(17)
Subscriptions	(53)	(24)
Legal and compliance fees	(320)	(189)
Insurance costs	(49)	(28)
Sundry expenses	(188)	(233)
	(741)	(990)

ITIC has no employees.

Legal and compliance fees in 2021 included US$87,000 relating to the Brexit claims run-off advice and US$86,000 in relation to correspondents fees.

Note 13 Audit fees

An accrual of US$110,000 (2020: US$91,000) has been made for the audit fees for the financial statements and for the Solvency II annual returns.

Note 14 Investment result

	2021 US$ 000s	2020 US$ 000s
Investment result - realised		
Interest on bank deposits and bonds	1,134	1,243
Realised gains on disposals	312	318
Transfer of investment return between ITIC and TIMIA	3,138	(2,107)
	4,584	(546)
Unrealised (losses) / gains on investments	(1,549)	2,361
	3,035	1,815

As part of ITIC's quota share reinsurance arrangements with TIMIA, the total ITIC and TIMIA investment result is apportioned between the two companies on a 10:90 split.

Note 15 Other costs and exchange gains / losses

	2021 US$ 000s	2020 US$ 000s
Exchange (losses) / gains - investing activities	(117)	1,329
Exchange gains - currency contracts	14	79
Exchange gains - operating activities	2,796	220
	2,693	1,629

Note 16 Taxation

	2021 US$ 000s	2020 US$ 000s
The tax charge in the income and expenditure account is made up as follows:		
Current year tax charge	(577)	(345)
Deferred tax movement	-	-
(Over) accrual current year	2	(9)
(Under) accrual previous year	-	(9)
	(575)	(363)
Surplus before tax	4,615	2,733
Tax on surplus at 19.0% (2020: 19.0%)	(877)	(520)
Effect of:		
Non-taxable mutual operations	(211)	(134)
Non-taxable exchange gains / (losses)	512	310
Non-taxable dividend income	-	-
Unutilised Losses carried forward	-	-
Allowable investment expenses	-	-
Under / over accrual current / previous years	2	(18)
Current tax charge	(575)	(363)

Note 17 Other financial investments

	2021 US$ 000s Market Value	2020 US$ 000s Market Value	2021 US$ 000s Cost	2020 US$ 000s Cost
Fixed income securities	52,814	61,056	50,774	57,467
Mutual funds	-	-	-	-
UCITS – cash	15,889	1,322	15,879	1,317
	68,703	62,378	66,652	58,784
Forward contracts	7	59	7	59
	68,710	62,437	66,659	58,843

All holdings in fixed income securities are in securities traded on recognised exchanges and are financial instruments measured at fair value through profit and loss. "Undertakings for collective investment in transferable securities" ("UCITS") are funds held for the short term.

For financial instruments measured at fair value, for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

Fair value estimations

In accordance with section 34 of FRS102, as a financial institution, ITIC applies these requirements for financial instruments held at fair value in the statement of financial position, and discloses the fair value measurements by the level of the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, prices) or indirectly (that is, derived from prices); and

Level 3 - Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

Note 17 Other financial investments (continued)

The tables below presents ITIC's assets and liabilities measured at fair value by the level of the fair value hierarchy:

As at 31 May 2021	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
	000s	000s	000s	000s
Assets and financial liabilities				
Fixed Interest - Government	50,300	-	-	50,300
Fixed Interest - Corporate	-	2,514	-	2,514
Forward Contracts	-	-	-	-
UCITS	15,889	-	-	15,889
Total	66,189	2,514	-	68,703

As at 31 May 2020	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
	000s	000s	000s	000s
Assets and financial liabilities				
Fixed Interest - Government	58,500	-	-	58,500
Fixed Interest - Corporate	-	2,556	-	2,556
Forward Contracts	-	-	-	-
UCITS	1,322	-	-	1,322
Total	59,822	2,556	-	62,378

Note 18 Debtors arising out of direct insurance and reinsurance operations

	2021	2020
	US$	US$
	000s	000s
Debtors arising out of reinsurance operations		
Excess of loss reinsurance recoveries	122	1,491
	122	1,491
Debtors arising out of direct insurance operations		
Members' balances due	2,299	2,666
Members' balances not yet due	18,210	20,190
Cash balances held by fronting company	4,925	1,663
	25,434	24,519

Included in member' balances due is US$893,000 and not yet due US$7,295,000 relating to European policies fronted by UK P&I NV (2020 - US$522,000 and US$3,060,000).
The members balances not yet due include an amount of US$1,828,000 relating to balances due after 12 months (2020 - US$1,852,000). Refer to note 4(e).

Note 19 Other debtors

	2021	2020
	US$	US$
	000s	000s
Value added tax	54	26
Other debtors	251	526
	305	552

Note 20 Creditors arising out of reinsurance operations

	2021	2020
	US$	US$
	000s	000s
Amount due to related party (quota share reinsurer - see note 23)	(39,440)	(41,508)
Outward reinsurance premiums	(1,200)	(1,143)
	(40,640)	(42,651)

Note 21 Other creditors including taxation and social security

	2021 US$ 000s	2020 US$ 000s
Amount due to related party (management company see note 23)	(1,630)	(1,409)
Corporation tax	(585)	(354)
	(2,215)	(1,763)

Note 22 Accruals and deferred income

	2021 US$ 000s	2020 US$ 000s
Claims Accruals	(809)	(2,803)
General Accruals	(128)	(1,707)
Sundry Creditors	(276)	(136)
Quota share reinsurers share of deferred insurance commission costs (see note 10)	(4,593)	(4,770)
	(5,806)	(9,416)

Note 23 Related party transactions

ITIC has no share capital and is controlled by the members who are also the insured. Subsequently, all insurance transactions are deemed to be between related parties and these are represented in these financial statements. These are the only transactions between ITIC and its members.

All the directors are current representatives of member companies (unless stated otherwise on page 3) and, other than the member interests of their companies, the directors have no financial interests in ITIC.

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited of Bermuda on a 90% quota share basis both its liabilities from 1 September 1992 and its liabilities assumed under the agreement to run-off Transport Intermediaries Mutual Insurance Association Limited and the Chartered and International Shipbrokers P&I Club Limited (CISBA).

At the year end ITIC have an amount owing to TIMIA of US$39,440,000 (2020: US$41,508,000), see note 20.

International Transport Intermediaries Management ("ITIM") provide key management personnel for ITIC and the management fee has been disclosed in Note 13. ITIM is a subsidiary of Thomas Miller Holdings Limited.

At the year end ITIC have an amount owing to ITIM of US$1,630,000 (2020: US$1,409,000 - see note 21).

Note 24 Movement in cash, portfolio investments and financing

	At 1 June 2020 US$ 000s	Movement US$ 000s	Change in market value US$ 000s	At 31 May 2021 US$ 000s
Cash at bank and in hand	12,216	(6,234)	5	5,987
Fixed income securities	61,056	(6,694)	(1,549)	52,814
Forward contracts	59	(52)	-	7
UCITS cash	1,322	14,567	-	15,889
	74,653	1,587	(1,543)	74,697

Note 25 Post balance sheet events

There were no post balance sheet events requiring disclosure.

As noted in the directors' report, it continues to be appropriate to prepare ITIC's financial statements on a going concern basis.