



SPECIALIST
PROFESSIONAL
INDEMNITY
INSURANCE

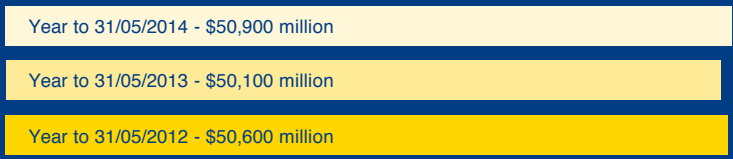
ITIC YEAR BOOK 2014

Specialist professional indemnity insurance for transport professionals everywhere

ITIC
IS MANAGED
BY **THOMAS
MILLER**

Gross premium

\$51m



Members

2,100

ITIC offers a unique professional indemnity policy to a wide range of companies based in the transport industry, either directly, or through an insurance broker.

Security rating

BACKED BY
AT LEAST
"A" RATED
SECURITY



Worldwide insurance cover

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



Aviation



Marine



Rail

Credits paid

\$75m

continuity credits paid to Members over the last 18 years

Disbursements & commissions

\$155m

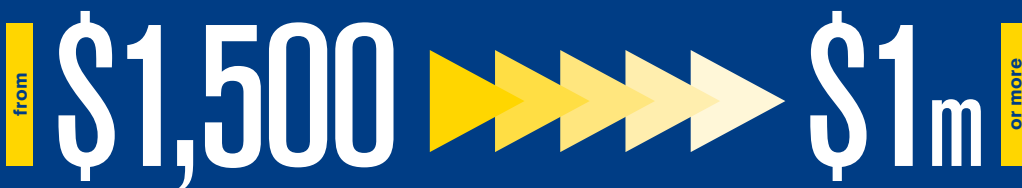
of disbursements and commissions collected for Members since 1992

Free reserves

\$112m

at 31 May 2014

Annual premium



Specialist consultants



Specialist designers



Specialist surveyors

If the transport industry needs your services, then you need the services of ITIC

International Transport Intermediaries Management Co Ltd is the Appointed Representative of International Transport Intermediaries Club Ltd which is Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and Prudential Regulation Authority. International Transport Intermediaries Club Ltd (Registration number: 2725312) and International Transport Intermediaries Management Co Ltd (Registration number: 2670020) are registered in England.

Strong reserves will be maintained



The good news to report on the last financial year of 2013/14 is that the improvement in both the level of claims and the investment return has continued from last year. The combined ITIC and TIMIA clubs made a surplus of over US\$20m due to a combination of a good investment return (9.0%) and an improvement in the historical claims figures.

ITIC continues to return premium to its Members via the continuity credit at renewal. Your Board considers the payment of such credits to be a very important benefit of being insured by a mutual insurer. The amount of credit paid in 2012/13 was US\$3.3m and the same level of credit was paid out again in 2013/14. Since the continuity credit payments began 19 years ago, I am pleased to report that more than US\$75m has been returned to you, the Members.

The improved claim and investment returns allowed the Board, at its meeting in March 2014, to increase the level of continuity credit for one year policies from 2.5% to 7.5% and to increase the level of credit on two year policies from 7.5% to 12.5%; this applies to all renewals from 1st June 2014 onwards and will increase the amount of credit paid in 2014/15 to US\$5.8m.

The economic climate worldwide is showing increasing signs of improvement and ITIC has seen the number of professional indemnity claims decrease, although the cost of each claim is still increasing.

As a result of the increased number of claims paid by the Clubs' reinsurers in the years 2009 to 2011, ITIC now retains more of each claim before the reinsurers begin to pay. It is, therefore, essential that the Club continues to act prudently on both its pricing and its appetite for risk.

ITIC has increased its premium income in 2013/14 through a combination of new Members joining the Club and existing Members buying the wider insurances offered by ITIC, such as Directors' & Officers' liability, loss of commission and cash in transit insurances. Furthermore, the Club continues to retain approximately 95% of its Members at renewal each year, which is a very high retention rate.

It is important for the Club to maintain its level of free reserves and I am pleased to advise that the reserves of the combined ITIC and TIMIA clubs have increased from US\$91.3m to US\$111.8m at 31st May 2014. This is a significant increase but, as I mentioned last year, Solvency II, the new regulatory regime with which all insurers within the EU will have to comply by 1st January 2016, will have an impact on the future capital requirements of the business.

The investment return for 2012/13 was 7.5% and for 2013/14 was 9.0%; this is an excellent return which has helped fund the increased levels of continuity credit agreed by your Board for 2014/15. The clubs' (ITIC and its reinsurer TIMIA) reserves are invested in a wide portfolio of assets designed to match any currency exposure that ITIC may have to existing claims (which are mostly in US dollars), whilst also balancing the ability to yield a return based on an acceptable level of risk.

The accounts and financial highlights for the period from 1st June 2013 to 31st May 2014 are available on the website.

In common with previous years, the Board has decided to close the 2012/13 policy year, meaning that no additional premium can be requested from Members for this or any earlier year. The only full year that remains open is 2013/14. ITIC has never requested additional premium for any policy year and your Board is considering changing ITIC to a fixed premium mutual which would give you all the benefits of being a Member of a mutual without any exposure (no matter how remote) to a request for supplementary premiums.

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

A handwritten signature in blue ink that reads "Peter French". The signature is stylized and written over a light blue grid pattern.

Peter French
Chairman
International Transport Intermediaries Club Ltd

Free reserve growth of 20%

Stability

The financial statements in this year's publication show a 2% top line growth in the size of ITIC together with a rise in operating surplus of US\$4.45m. In what are described, by many insurers, as some of the most difficult trading conditions ever, these are strong figures. ITIC's free reserves over the same period have also grown by just over 20% to US\$112m. This reserve development encouraged the Board of Directors of ITIC to increase the 2014 policy year continuity credit, or dividend, for renewing members to either 7.5% or 12.5%, which is not a bad return on every member of ITIC's investment in their insurance company.

New premium income

One of the reasons for ITIC's most recent success has been our ability to attract new business. Insurance brokers across the wider marine and professional risks communities continue to promote ITIC as the specialist insurer of marine and transport industry professionals. As the survey in last year's publication showed, our philosophy of always providing a named individual, or account executive, for you to speak to and correspond with is, we hope, a breath of fresh air to our customers. You can even come and see us for a coffee at Thomas Miller's offices in 90 Fenchurch Street in the City of London. Please do so this year if you haven't done so already! You would be most welcome.

Diversification

Every business needs a spread of income from more than one customer group and insurance companies are no different. Over the last decade or so ITIC has steadily expanded its capability. Today a typical ITIC customer could be a ship manager, naval architect, subsea hydrographic surveyor, rail design engineer or aviation consultant, or all of these. This growing range of wider marine and transport professional risks provides a healthy balance to our portfolio and introduces us to insurance brokers in both the marine and professional risks sectors.

Loyalty

We are quite rightly proud of the 95% of ITIC members who choose to renew their insurance with us every year, as well as the fact that 65% of ITIC members choose to renew on a two year basis. Thank you to all ITIC members, and their insurance brokers, for your ongoing support of ITIC in 2014.



Handling the burden of litigation

The graph shows the number of claims reported to ITIC for the five policy years to 31st May 2014. Claims are divided into two categories - indemnity and debt collection files. As can be seen, the claims situation in the 2013/14 policy has been encouraging with a fall in the number of indemnity files reported for the second year running.

Human error is the main cause of claims reported by ITIC Members. As in previous years, there have been a number of highly technical claims made, particularly against marine surveyors and naval architects. The aim is to resolve such claims quickly, privately and without the damage to commercial relations that results from legal proceedings. This is often achieved by ITIC with the use of technical expertise and sensitive claims management.

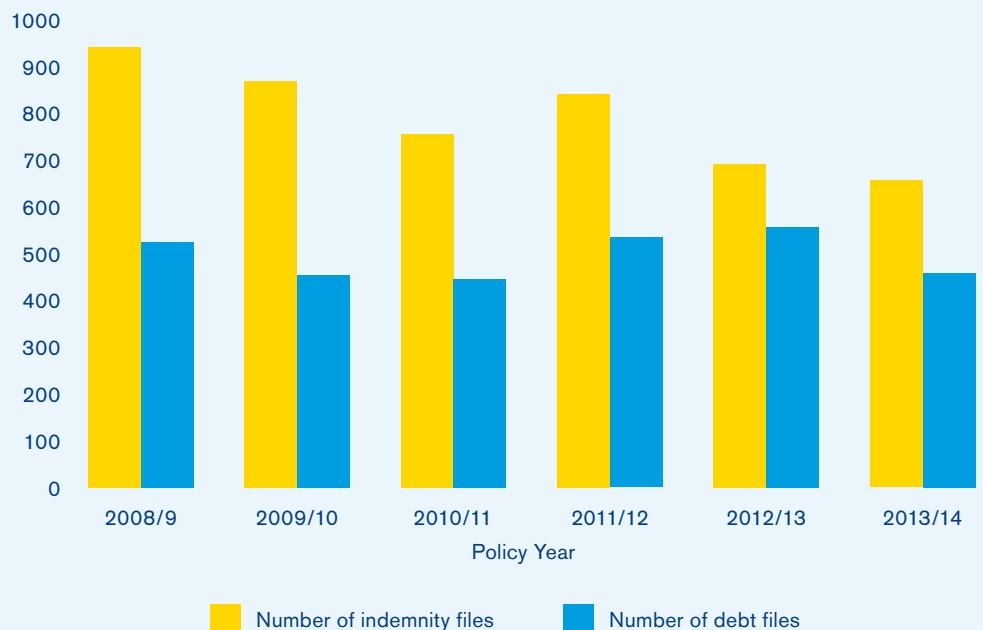
ITIC has continued to see an increase in attempts to defraud Members and their clients. In April 2014 ITIC issued a circular regarding a scam which has resulted in pre-funded port costs being diverted to a fake bank account. In each case the party due to make the payment received an email advising that the agent's bank account was inoperable due to their annual audit. The message was sent using an email address very similar to the agent's address. Details of a different bank account were given for the payment. By the time the agent reported that the pro forma disbursement account had not been paid the fraudsters had already stolen the money. A copy of the circular can be found at <http://www.itic-insure.com/rules-publications/article/itic-circular-fake-agency-accounts-warning-130039/>

Debt collection files are only for members who buy Rule 10 – Additional Legal Expenses Insurance and Debt Collection. These are typically shipbrokers and agents. The cover is for the legal fees incurred in collecting the monies owed. ITIC has assisted in collecting over US\$155m of shipbrokers' commissions and ship agents' disbursements since 1992.

Development of debt collection claims in the 2013/14 policy year have been promising as the overall number of debts reported to ITIC has been lower. This may reflect easier trading conditions. However, ITIC has arranged legal action in a wide variety of countries including arresting ships in New Zealand, India and UAE. Timing can be everything when pursuing debts and ITIC's success in debt claims is dependent on prompt notification and a Member with a file in good documentary order.

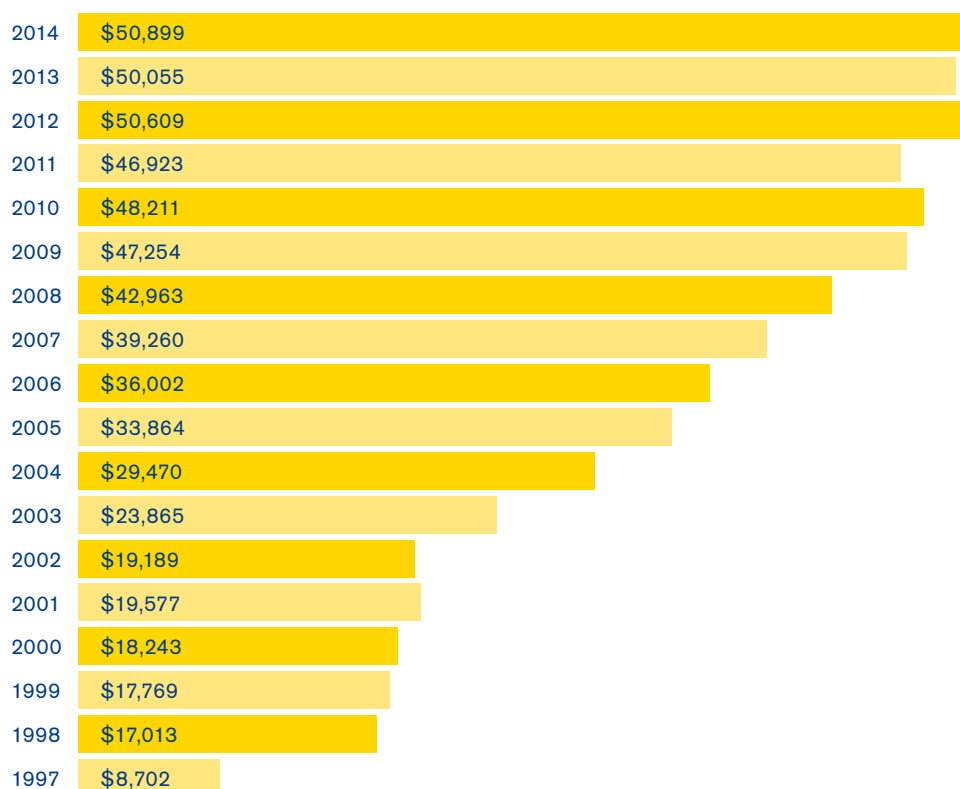
ANNUAL CLAIMS

Claims reported to ITIC in policy years, 5 years to 31 May 2014



GROSS PREMIUM INCOME

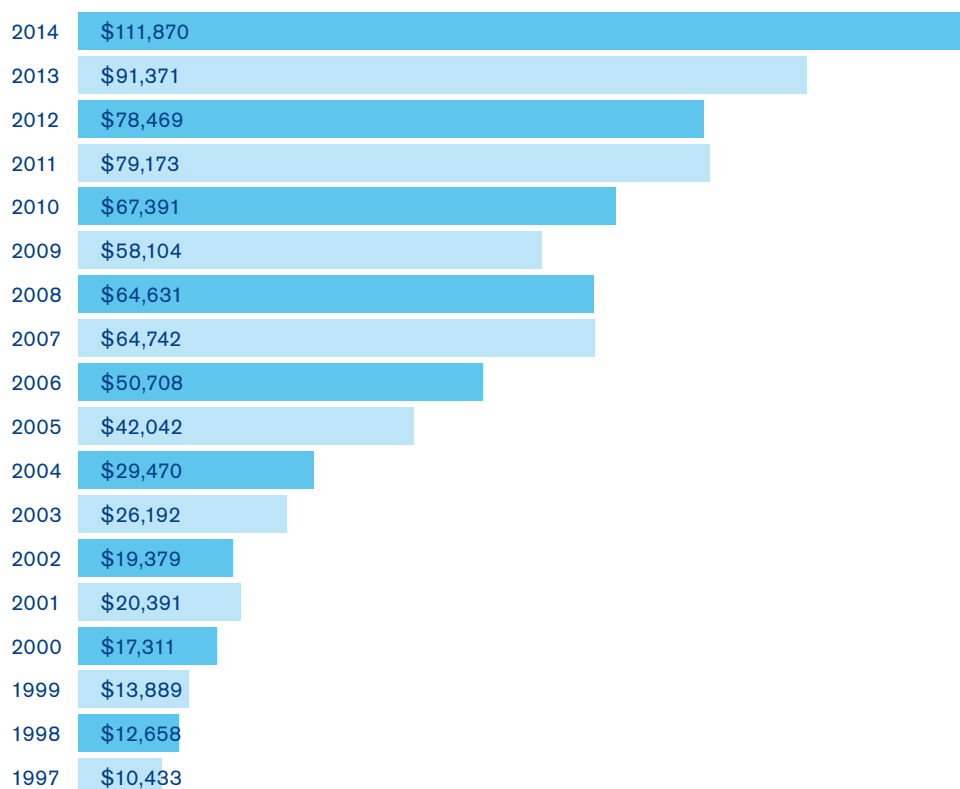
Growth in premium income of ITIC



All figures for years ending 31 May, all figures US \$ '000s

FREE RESERVES DEVELOPMENT

Growth of free reserves of ITIC



All figures as at 31 May, all figures US \$ '000s

FINANCES

\$112 million free reserves

All figures in \$'000s	Year Ending 31/05/14	Year Ending 31/05/13
Gross premiums written	50,899	50,055
Continuity credit	(2,974)	(3,320)
Reinsurance premiums (excess loss)	(5,843)	(6,617)
Claims incurred less reinsurance recoveries	(17,730)	(21,730)
Operating expenses	(17,828)	(16,321)
Surplus for the year before investment result and exchange gains	6,524	2,067
Investment result (realised and unrealised)	12,697	10,782
Taxation	(388)	(250)
Exchange gains	1,666	303
Surplus for the year	20,499	12,902
Free reserves brought forward at 1st June	91,371	78,469
Free reserves carried forward at 31st May	111,870	91,371
Free reserves:		
Funds available for outstanding claims and claims incurred but not enough reserved	174,090	149,250
Less: Estimate of outstanding claims net of reinsurance recoveries (including known and incurred but not enough reserved)	(62,220)	(57,879)
Free reserves carried forward at 31st May	111,870	91,371





Essential transport industry services from ITIC.

Directors

P French (Chairman)
BMT Group Ltd
London

R Bishop
V Ships
Glasgow

E F Davila
Maritima Davila Madrid SA
Madrid

C Döhle
ESS European Shipping
Services GmbH
Hamburg

D Fry
Columbia Shipmanagement Ltd
Limassol

S M Jones
General Steamship Agencies Inc
San Francisco /
Empire Shipping Agency Ltd
Vancouver

T Jones
BRS International SA
Luxembourg

F A Kanoo
Yusuf Bin Ahmed
Kanoo W.L.L.
Bahrain

A R W Marsh
Braemar Seascope Ltd
London

L Säfverström
Gulf Agency Company Ltd
Dubai

U Salerno
RINA Spa
Genoa

M Shakesheff
Casper Shipping Ltd
Middlesbrough

B O Tonsberg
Wilhelmsen Maritime Services AS
Singapore

The latest published accounts and financial highlights are available from Charlotte Kirk at ITIC, or www.itic-insure.com

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

Beijing | Bermuda | Edinburgh | Hong Kong | The Isle of Man | London | Newcastle | New Jersey | Piraeus | San Francisco | Shanghai | Singapore | Sydney

ITIC
IS MANAGED
BY **THOMAS
MILLER**

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