



SPECIALIST  
PROFESSIONAL  
INDEMNITY  
INSURANCE

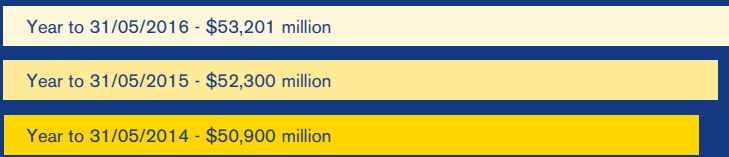
# ITIC YEAR BOOK 2016

*Specialist professional indemnity insurance for transport professionals everywhere*

ITIC  
IS MANAGED  
BY **THOMAS  
MILLER**

Gross premium

\$53m



Members

2,300

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

\$90m

continuity credits paid to members over the last 21 years

Disbursements & commissions

\$173m

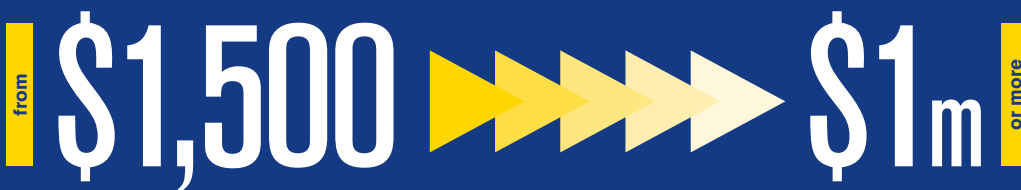
of disbursements and commissions collected for members since 1992

Free reserves

\$136m

at 1 June 2016

Annual premium



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



Specialist consultants



Specialist designers



Specialist surveyors

20 staff

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

18 years

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

13 years

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

16 claims executives

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

## CHAIRMAN'S STATEMENT



### The number of new members joining ITIC between 1st June 2015 and 31st May 2016 increased by over 5%

The good news to report for the financial year 2015/16 is a combined surplus from both ITIC and its mutual reinsurer, TIMIA, of US\$9.0m, largely due to an improvement in current and historical claims figures together with a reasonable investment return.

During the last year, although the level of claims had improved, the anticipated investment return for 2015/16 was downgraded from 3.2% to a negative return due to the volatility of the markets worldwide. The eventual investment return of 1.9%, whilst lower than the previous year which was 4.5%, was still a good return in a fluctuating investment market and was above the investment return benchmark.

Despite the reduced investment income, your board, at its meeting in March 2016, decided to support the members of ITIC during the current market conditions by keeping the level of the continuity credit for one year policies at 12.5% of the premium and for two year policies at 17.5% per year. These credits apply to all renewals from 1st June 2016 onwards.

Your board considers the payment of such credits to be a very important benefit of being covered by a mutual insurer, particularly in these more difficult economic times. The amount of credit paid in 2013/14 was US\$3.0m, in 2014/15 it was US\$4.9m, in 2015/16 it was US\$7.5m and the anticipated credit that will be paid out in 2016/17 is US\$8.2m. Since the continuity credit payments began 21 years ago, I am pleased to report that more than US\$90.0m has been returned to you, the members.

ITIC continues to retain the risk for all claims up to US\$1.0m and also retains an additional two claims of US\$1.0m each (so a maximum of US\$2.0m) excess of the primary US\$1.0m. This structure is beneficial to both the reinsurance underwriters, as they have seen the number of claims reported to them reduce, and to ITIC which has saved on reinsurance premium in 2015/16 and again in 2016/17.

ITIC has increased its premium income in 2015/16 through a combination of new members joining and existing members buying the additional insurances offered by ITIC, such as cyber liability, Directors' & Officers', loss of commission and cash in transit covers.

The number of new members joining ITIC between 1st June 2015 and 31st May 2016 increased by over 5%. ITIC continues to retain approximately 95% of its members at renewal each year, which is a very high retention rate.

It is important for ITIC to maintain its level of free reserves and I am pleased to advise that the free reserves of the combined ITIC and TIMIA clubs have increased from US\$127.7m at 31st May 2015 to US\$136.7m as at 31st May 2016. This is a modest increase but a very important buffer as the regulatory regime that governs ITIC, called Solvency II, has increased the future capital requirements for all UK and EU based insurers.

ITIC is committed to consistently providing  
competitively priced professional indemnity insurance

The board will be considering options for ITIC as a result of the recent Brexit referendum result so as to ensure that ITIC can still access the 35% of its business that will remain in the EU after the UK leaves.

The clubs' (ITIC and its reinsurer TIMIA) reserves are invested in a wide portfolio of assets and these are invested to match any currency exposure that ITIC may have to its existing claims (which are mostly in US dollars), whilst also balancing the ability to yield a return based on an acceptable level of risk.

In common with previous years, the board has decided to close the 2014/15 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 2015/16. It should be noted that ITIC has never requested additional premium for any policy year.

Your board, at its meeting in March 2016, considered whether to recommend to the membership that ITIC become a fixed premium mutual. The board decided to keep the club structure unchanged, it having served the membership well over the last 25 years.

Four years ago, ITIC conducted a qualitative member and broker survey. The results were very positive from the relatively small number of businesses that were contacted. In 2016, ITIC conducted a wider quantitative survey of all members and their insurance brokers. The results were overwhelmingly positive. This was a great compliment to the managers, who run ITIC on your behalf. The results were emailed to all members and are also available for downloading from our website at [www.itic-insure.com/knowledge-zone/article/itic-member-and-broker-survey-2016-how-good-are-we-135203/](http://www.itic-insure.com/knowledge-zone/article/itic-member-and-broker-survey-2016-how-good-are-we-135203/)

The accounts and financial highlights for the period from 1st June 2015 to 31st May 2016 will be available on the website before the AGM on 15th September 2016.

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



**Peter French**

Chairman, International Transport Intermediaries Club Ltd



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

## UNDERWRITING REPORT

### New premium income gained in 2015/16 was nearly US\$ 3m

Income is a major consideration in the underwriting of the majority of ITIC members. Many companies are currently suffering during the current depressed markets. With members declaring substantially lower incomes than at their previous renewal (which for many will have been in 2014 due to the availability of the ITIC two year policy) the market situation is being reflected in member renewal discussions with ITIC.

New premium income gained in 2015/16 was nearly US\$ 3m of which 83% was brought to ITIC by insurance brokers. We are grateful for this support.

Increased insurance broker awareness of ITIC's provision of professional indemnity insurance to the rail and aviation industries has produced a healthy growth in terms of new members and premium. ITIC's strength in the rail market has been within the UK, although the growth from overseas is steadily increasing.

As you will have seen from the Chairman's statement the continuity credit structure for the current year remains as per 2015, providing all members who renew for a 12 month period with a 12.5% continuity credit, or 17.5% credit for a two year option. Many of ITIC's members continue to favour two year policies with approximately 65% (by number) and 80% (by premium) renewing on that basis.

## CLAIMS COMMENTARY

### The number of debt collection files handled by ITIC rose by 5% during the 2015 policy year

The number of indemnity claims reported during the 2015 policy year (1st June 2015 to 31st May 2016) was at the same level as in the previous year. After 12 months' development the amounts paid and estimated for the 2015 policy year were slightly higher than the average of the previous five policy years but remained consistent with those years. Historical claims had developed less adversely than anticipated leading to an overall improved claims position.

Human error is the main factor in matters reported by ITIC members. Recent years have seen a number of claims relating to penalties imposed by customs authorities arising out of relatively technical infringements by ship agents. Fraud continues to be an issue for this sector of the membership with issues arising both from cybercrime and the forgery of traditional paper bills of lading.

The potential for liabilities arising from cyber-attacks is much wider than fraud and, as reported elsewhere in this yearbook, ITIC has developed a simple new third party cyber liability endorsement.

Notable claims in the last year included a US\$ 5m settlement arising from the abandoned construction of a barge. ITIC's member had been engaged to undertake the design, approval and tender process for the construction. The project fell behind schedule and the customer alleged these were due to design defects. This was hotly contested by the member who alleged that the customer had caused the delays by constant interference.

The depressed markets have an impact on the claims results. Low freight rates can mean that the quantum of claims (especially against shipbrokers) is at correspondingly lower levels. The poor trading conditions are however a factor in the increased number of debt collections.

The number of debt collection files handled by ITIC rose by 5% during the 2015 policy year. This was the first such rise for a couple of years and the increase took place in the second half of the year. The difficult trading conditions that members are continuing to face are one factor in the increased number of debt collections. The claims reported in the 2015 policy year do not contain multiple debts caused by one major bankruptcy and therefore reflect a wider deterioration in principals paying their shipbrokers and ship agents.

**Increased insurance broker awareness of ITIC's provision of professional indemnity insurance to the rail and aviation industries has produced a healthy growth in terms of new members and premium.**



## LOSS PREVENTION

### To address specific training needs ITIC has produced e-learning seminars and published podcasts

ITIC believes loss prevention is an important part of its services. With over 2,300 members we see a very wide range of issues. Where possible, we use that experience to assist members avoid liabilities.

The Claims Review is ITIC's general and most popular loss prevention publication. There are two Claims Reviews issued each year in March and September, where we report on claims that have been recently settled and paid. This allows members to learn from the mistakes of others.

More specific loss prevention advice is given in circulars. In 2015 and 2016 the main focus was to highlight to members the frauds that were being reported. ITIC alerted members to the techniques being used by fraudsters. We know that our alerts prevented a number of attempted thefts.

ITIC knows that if you start your business relationships on the right basis that you will minimise any future difficulties. Some businesses use well established contract forms, such as BIMCO's Shipman document, but other industries have not developed standard forms. For this reason ITIC has suggested standard terms and conditions for surveyors, consultants, naval architects, hydrographic surveyors and ship brokers. These are available from ITIC's website free to use by all.

We are also strong believers in training and education. We can see that where members' employees have been formally trained as apprentices, or through more formal education, such as the courses offered by the Institute of Chartered Shipbrokers, that their knowledge reduces the likelihood of a claim. To address specific training needs ITIC has produced e-learning seminars and published podcasts which are all stored in the support section of the ITIC website.

Finally, we are always able to provide you with specific dedicated loss prevention seminars in your offices.

## MEMBER AND BROKER SURVEY 2016

### ITIC is viewed very highly by members and insurance brokers

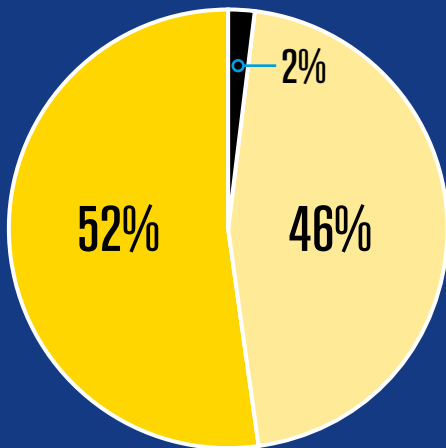
The purpose of the survey was to monitor the perception of ITIC by members and insurance brokers. It was also to measure the performance of the products and services provided. The team at ITIC consider that they have the members' and brokers' interests at heart and this was also tested in the survey.

The results of the survey were very encouraging, with overall satisfaction being at 98% for members and 99% for insurance brokers. There was a positive view of service levels and information and communication provided by ITIC. The survey concluded that ITIC is viewed very highly by members and insurance brokers and is the first choice for professional indemnity insurance in the transport sector. We are grateful to all who answered the survey.

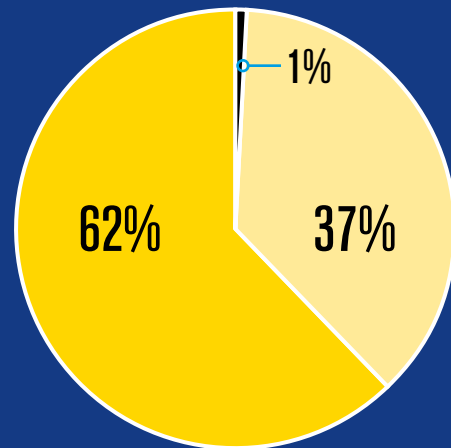


**Overall satisfaction was high.**

**The majority of respondents rated ITIC highly with a 9 or 10:**



**Members**  
Mean score 8.4  
■ score 0-4 ■ score 5-8 ■ score 9-10



**Brokers**  
Mean score 8.4  
■ score 0-4 ■ score 5-8 ■ score 9-10

“They have got a **very good reputation** and they are user friendly. User friendly is quite an important part of the operation for us because we do have lots of situations where we need them to come onside with things we’re doing.”

“It is the **support we get** from the ITIC staff that differentiates them from other insurers we have used.”

“Having ITIC to assist us has **been a benefit** too many times to count.”

# 98%

**of members are highly satisfied with all aspects of ITIC’s services.**

# 99%

**of Insurance Brokers would recommend ITIC to their clients.**

# 93%

**of members are highly likely to continue to be insured with ITIC.**

### ITIC has created a new third party cyber liability endorsement

ITIC has offered for many years a number of additional insurance products – which are only available to existing members by way of an endorsement to their professional indemnity insurance policy.

Ship agent and ship manager members often purchase cash in transit cover – which is there to protect against theft of cash intended for the ship's master during its movement from the bank to the ship/member's office.

ITIC's money insurance provides cover for loss of cash from an insured office location, on board a managed ship or overnight at a director's home. This is a popular insurance bought by ship managers and ship agents.

As you will have seen in the claims report, the number of instances where members have asked for our assistance in collecting monies owed to them has increased. To those members, ITIC's legal costs cover relating to debt collection is invaluable. This insurance covers the legal costs of pursuing outstanding commission for ship brokers, disbursement accounts for ship agents, fees for marine surveyors and P&I club correspondents and other such debts.

Commission income insurance is available to ship brokers – cover can be in place for loss of commission due to the actual or constructive total loss of a ship or extended to include a wide range of marine perils, such as fire, piracy, collision, engine breakdown and negligence of master.

Directors' and officers' insurance is another insurance offered to ITIC's members through endorsement to protect directors, officers and senior managers against claims arising from their decisions and actions taken in the course of managing their business.

In response to the increasing number of cyber-attacks reported by members ITIC has created a new third party cyber liability endorsement. This is an additional cover which is intended to respond to claims from third parties arising from the unauthorised use of members' computer networks.

Please do ask your insurance broker or ITIC underwriter for further details or a quotation for any of these additional products.

## FINANCES

### \$137 million free reserves

All figures in US\$000s	Year Ending 31/05/16	Year Ending 31/05/15
<b>Gross premiums written</b>	<b>53,202</b>	<b>52,259</b>
Continuity credit	(7,512)	(4,907)
Reinsurance premiums (excess loss)	(5,363)	(6,142)
Reinsurance premiums (quota share)	-	(1)
Claims incurred less excess loss reinsurance recoveries	(19,184)	(15,862)
Operating expenses	(14,501)	(16,924)
<b>Surplus / (deficit) for the year</b>	<b>8,978</b>	<b>15,883</b>
Investment result (realised and unrealised)	3,483	11,258
Taxation	(124)	(214)
Exchange gains / (losses)	(1,023)	(3,584)
<b>Surplus / (deficit) for the year</b>	<b>8,978</b>	<b>15,883</b>
Free reserves brought forward at 1st June	127,753	111,870
<b>Free reserves carried forward at 31st May</b>	<b>136,731</b>	<b>127,753</b>
<b>Free reserves:</b>		
Funds available for outstanding claims and claims incurred but not enough reserved	203,464	194,035
Less: Estimate of outstanding claims net of reinsurance recoveries (including known and incurred but not enough reserved)	(66,733)	(66,282)
<b>Free reserves carried forward at 31st May</b>	<b>136,731</b>	<b>127,753</b>





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

### Directors

**P French (Chairman)**  
BMT Group Ltd  
London

**R Bishop**  
V Ships  
Glasgow

**E F Davila**  
Maritima Davila Madrid SA  
Madrid

**C Döhle**  
Menzell & Döhle GmbH & Co. KG  
Hamburg

**D Fry**  
Columbia Shipmanagement Ltd  
Limassol

**S M Jones**  
General Steamship Agencies Inc  
San Francisco

**T Jones**  
BRS International SA  
Luxembourg

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

**A S Munro (CEO)**  
ITIC Ltd  
London

**L Säfverström**  
Gulf Agency Company Ltd  
Dubai

**U Salerno**  
RINA Spa  
Genoa

**M Shakesheff**  
Casper Shipping Ltd  
Middlesbrough

**J Woyda**  
Clarkson PLC  
London

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

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

ITIC  
IS MANAGED  
BY **THOMAS  
MILLER**

For further information on any of the products, services or cover provided by ITIC contact Charlotte Kirk at:  
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