



SPECIALIST
PROFESSIONAL
INDEMNITY
INSURANCE

ITIC Year Book 2019

Specialist professional indemnity insurance
for transport professionals everywhere



ITIC
IS MANAGED
BY **THOMAS
MILLER**

Chairman's statement



Lars Säfverström
Chairman

The continuity credit is given to renewing members and it effectively reduces the cost of your insurance.

I would like to offer my thanks to Peter French for his hard work as the ITIC Chairman from 2012 until he retired in March 2019. It is my pleasure to be the new Chairman of ITIC.

I can report that in the 27th financial year, ITIC has produced a small surplus. ITIC, combined with its mutual reinsurer TIMIA, returned a modest US\$1.3m for the year to 31st May 2019 ("2018/19"). This result is after the cost of the very high continuity credit paid in 2018/19.

The investment return of 3.7% accounted for a contribution of US\$10.4m and this was an improvement on the originally anticipated investment return of 2.9%.

The continuity credit is given to renewing members and it effectively reduces the cost of your insurance. Your board, at its meeting in March 2019, reviewed the level of ITIC's free reserves and as these remain above the amount required for ITIC's solvency requirement, the board decided to pay the second highest levels of continuity credit.

- For one year policies, the credit was 25% of the premium.
- For two year policies, the credit was 35% for year one with at least a 25% credit for year two.

These credits will apply to all renewals in the 2019/20 year.

Those in the second year of a policy begun in 2018/19 will also get a credit of 35%, up from the promised level of 25%.

Your board considers the payment of such continuity credits to be a very important benefit of being covered by a mutual insurer. The amount of the anticipated credit that will be paid in 2019/20 is US\$19.2m which is almost the same as was paid out in the previous year and this level is three times above the average pay out over the last few years. Since the continuity credit payments began 24 years ago, I am pleased to report that more than US\$141.0m has been returned to you, the members.

The risk for all claims up to US\$1.0m continues to be retained by ITIC, as well as an additional US\$3.0m in excess of the primary US\$1.0m level (subject to a maximum additional retention of US\$1.0m for any claim). We are comfortable that the reinsurance in place reduces the risks of large claims to an acceptable level at a reasonable cost.

ITIC's annual premium has increased in 2018/19 by about 5%. In recent years, premium has remained static largely because of continued consolidation in the maritime services market. Other marine and transport insurers have moved away from professional indemnity insurance, which has led to an increase in business at ITIC. The amount of new premium gained in 2018/19 was US\$3.3m. At the end of July 2019, the level of new business gained since 1st June 2019 has been the highest ever. Also, ITIC continues to retain approximately 96% of its members at renewal each year, which is a very high retention rate.

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

Chairman's statement (continued)

It is important for ITIC to maintain its level of free reserves both for solvency reasons and to drive up the levels of continuity credits paid to the membership.

It is important for ITIC to maintain its level of free reserves both for solvency reasons and to drive up the levels of continuity credits paid to the membership. I am pleased to advise that the combined free reserves of ITIC and TIMIA have increased from US\$177.9m as at 31st May 2018 to US\$179.1m as at 31st May 2019. The impact of the much higher levels of continuity credits in 2018/19 and 2019/20 will feed through into the financial accounts in due course.

In common with past years, the board decided to close the preceding policy year, meaning that no additional premium can be requested from members for the 2017/18 policy year or any earlier year. The only full year that remains open is 2018/19. It should be noted that ITIC has never requested additional premium for any policy year.

ITIC underwrites, approximately, 30% of its business in the European Union excluding the United Kingdom (the "EU27"). ITIC will provide cover via a fronting arrangement with an insurer based in Rotterdam in the Netherlands for renewals within the EU27 from 30th October 2019 (or whenever Brexit actually happens). The business within the EU27 is very important to us and the cover and service will be unchanged.

ITIC reports fully to Solvency II standards and is regulated by the Prudential Regulation Authority. This will not change post Brexit. Details of our solvency position can be found in the Solvency and Financial Condition Report, which is available on the ITIC website: <https://www.itic-insure.com/compliance-regulation/>

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

The accounts and financial highlights for the 2018/19 year are available on the website (www.itic-insure.com).



Lars Säfverström
Chairman
International Transport
Intermediaries Club Ltd

\$371m of claims paid
in 25 years



Finances

\$179 million free reserves

Combined ITIC and TIMIA Financial Highlights for the year ended 31st May 2019

All figures US\$ '000

	year ended 31st May 2019	year ended 31st May 2018
Gross premiums written	54,960	51,798
Reinsurance premiums (excess loss)	(3,623)	(4,376)
Claims incurred less excess loss reinsurance recoveries	(20,569)	(13,961)
Operating expenses	(18,191)	(14,682)
Result for the year before continuity credit, investment result and exchange losses / gains	12,577	18,779
Continuity credit	(19,545)	(9,665)
Result for the year before investment result and exchange losses / gains	(6,968)	9,114
Investment result (realised and unrealised)	10,419	8,359
Taxation	(197)	(158)
Exchange gains / (losses)	(1,960)	888
Surplus/ (deficit) for the year	1,294	18,203
Free reserves brought forward at 1st June	177,873	159,670
Free reserves carried forward at 31st May	179,167	177,873
Free reserves:		
Funds available for outstanding claims and claims incurred but not enough reserved	246,626	242,511
Less: Estimate of outstanding claims net of reinsurance recoveries (including known and incurred but not enough reserved)	(67,459)	(64,638)
Free reserves carried forward at 31st May	179,167	177,873

Finances

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

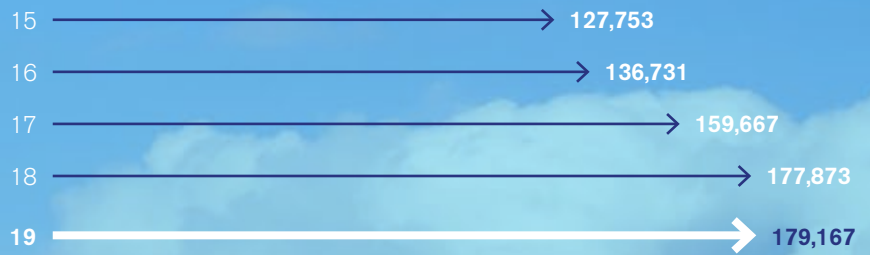
Gross premium income / US\$'000's

\$55m



Free reserves development / US\$'000's

\$179m



Underwriting report

ITIC's target for new premium income in the 2018 year (the period 1st June 2018 – 31st May 2019) was set at US\$ 2.75m. We are pleased to report that the actual new premium gained for the year was US\$ 3.34m.

There were 400 new members, the most ITIC have gained in any one year, the majority of which came to us via insurance brokers. We are extremely grateful for the continued support and enthusiasm that insurance brokers, from all over the world, continue to show to ITIC. Any individual insurance broker is welcome to spend time in ITIC's office to learn about our risk appetite and underwriting systems.

The 35% credit is the second highest that has ever been given

As has been reported in the Chairman's statement, the continuity credit structure this year provides those members that renew for a 2 year period with 35% in the first year, along with a guaranteed minimum credit of 25% in the second year. The 35% credit is the second highest that has ever been given – beaten only by the 2018 structure which gave a combined continuity credit and bonus credit of 50%.

In the first part of 2019 we have seen a very healthy increase in new members and premium. ITIC has no restrictions on capacity and is very much open for business. The underwriting team will consider a wide range of miscellaneous risks from the transport and offshore and energy industries requiring professional indemnity insurance.



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At the end of July 2019, the level of new business gained since 1st June 2019 has been the highest ever.





Claims commentary

The number of indemnity claims reported during the 2018 policy year (1st June 2018 to 31st May 2019) was approximately 5% higher than reported in the previous year but the total is consistent with the average of the last five years.

There has been a steady increase in the speed with which indemnity claims have been resolved with only about 50% remaining open after one year.

Cybercrime unfortunately continues to be a hot topic, with businesses and individuals at risk of becoming potential targets of digital fraud.

Significant claims reported in the last year reflect the spread of activities carried out by ITIC's membership. These include one against an offshore surveying firm, offering geophysical surveys, positioning and construction support services for the Oil & Gas industry. The commencement and completion of a project was delayed due to the negligence of the member who failed to ensure the correct equipment was on board the vessel.

Although human error will always be the main cause of claims reported to ITIC, the cover often responds to situations where the member is held liable irrespective of their own fault. A claim against a shipbroker involved an allegation that the broker fixed a time charter without authority. The broker received instructions from a third party who lacked authority from the charterers. The case was a reminder that liability for breach of warranty of authority does not depend on the broker themselves being at fault.

In another case a ship had grounded and as a result suffered damage to the hull. Class undertook a survey and confirmed in their report that the ship was seaworthy but must proceed unladen for repair. The class report was provided to owners without the technical manager highlighting the restriction concerning the unladen nature of the voyage. As a result, the owner's booked a laden voyage which was subsequently cancelled once the class restriction was highlighted.

Cybercrime unfortunately continues to be a hot topic, with businesses and individuals at risk of becoming potential targets of digital fraud. ITIC has issued a number of circulars to warn members, however we are still seeing this type of fraud committed. Attempts to redirect freight and other payments remain a constant problem. One message recently addressed to a shipbroker said:

"Sorry, we gave the wrong bank account details for this fixture. The correct bank account is as shown below. I know this is a pain but Charterers will not have any difficulty with this as they have paid to this account on a previous fixture".

The message was passed on to the charterers who had fixed with those owners before but via a different channel. The charterer unfortunately took it at face value and didn't check they had paid to that account before. The fraudsters stole a substantial hire payment which the charterers had to pay again. ITIC's advice in this situation is to always confirm changes to bank details via the telephone.

ITIC & Brexit

ITIC is now writing EU policies via a fronting arrangement.

In April 2019 we set out the arrangements that were being made to ensure that ITIC could continue to provide its cover in the EU once Brexit had been finalised.

In summary, the arrangements are for ITIC to be fronted by a subsidiary of another insurance business managed by Thomas Miller, established for this purpose in the Netherlands. We advised that we would wait until the date that Brexit was finalised but that has proved impossible to judge. As such we took the view that, as the system to underwrite in the EU is in place we started to use the fronting arrangement for any quote or renewal after 1st November 2019.

The first renewals have been issued for policies that fell on or after 1st November 2019 via the fronting company. All EU members (and not those within the United Kingdom) will now be renewed on EU fronted policies as and when those renewals become due.

We will work closely with the fronting company, UK P&I N.V, to ensure that claims, underwriting and servicing matters are handled effectively. You will still communicate with us in London as you have done in the past and we will liaise with the EU underwriter in Rotterdam.

ITIC and its managers remain fully committed to ensuring that ITIC's European members continue to receive the high quality service to which they have become accustomed. That remains our priority during any potential transitional period to the post-Brexit arrangements and thereafter.

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

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

If you have any questions or comments on Brexit, please direct these to your usual ITIC contact.

There is a dedicated Brexit page on ITIC's website, which will continue to be updated with circulars and information on the topic.

ITIC and its managers remain fully committed to ensuring that ITIC's European members continue to receive the high quality service to which they have become accustomed.





...because everyone makes mistakes

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