International Transport Intermediaries Club Limited (“ITIC”)

Solvency and Financial Condition Report (“SFCR”)

For the year ended 31st May 2021

Contents

Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a. throughout the financial year in question, International Transport Intermediaries Club Limited has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b. it is reasonable to believe that International Transport Intermediaries Club Limited has continued so to comply subsequently and will continue so to comply in future.

For and on behalf of International Transport Intermediaries Club Limited

23rd September 2021

Auditor’s report

Report of the external independent auditor to the Directors of International Transport Intermediaries Club Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by International Transport Intermediaries Club Limited as at 31st May 2021:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of International Transport Intermediaries Club Limited as at 31st May 2021, (‘**the Narrative Disclosures subject to audit**’); and

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 (‘**the Templates subject to audit**’).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘relevant elements of the Solvency and Financial Condition Report’.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02, S.05.02.01, S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report (‘**the Responsibility Statement**’).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of International Transport Intermediaries Club Limited as at 31st May 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determination.

Report of the external independent auditor to the Directors of International Transport Intermediaries Club Limited (continued)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of International Transport Intermediaries Club Limited in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Report of the external independent auditor to the Directors of International Transport Intermediaries Club Limited (continued)

Other Information
The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in 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 there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. 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.

Responsibilities of Directors for the Solvency and Financial Condition Report
The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report
It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report 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 it 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 decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx

Report of the external independent auditor to the Directors of International Transport Intermediaries Club Limited (continued)

Report on Other Legal and Regulatory Requirements.
In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of International Transport Intermediaries Club Limited statutory financial statements. 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.

Thomas Reed (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU

27 September 2021

Summary

Introduction

This document is arranged to fit into a template with standard headings across the industry.

Section A considers basic information such as the structure of ITIC and the recent results of ITIC.

Section B considers the governance and risk management of ITIC. It looks at the management and remuneration structure. It then takes the reader through the Own Risk and Solvency Assessment, the risk management framework, internal controls, internal audit, actuarial arrangements and outsourcing.

Section C looks at the risk profile of ITIC considering underwriting, market, credit, liquidity and operational risks.

Section D shows the Solvency II financial position and explains how the GAAP financial statements are converted into a Solvency II format. Sections are shown for assets and liabilities (technical provisions and other liabilities).

Section E explains how ITIC manages its capital and shows how the eligible own funds cover the solvency capital requirement and the minimum capital requirement. Again, the difference between the financial statements retained reserves and the Solvency II eligible own funds is explained.

The PRA regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1st January 2016. The regime required new reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the company's public website. This document is the 5th year of the Solvency and Financial Condition Report ("SFCR") that is required to be published by ITIC.

ITIC's financial year runs to 31st May each year and it reports its results in US dollars.

Main output and conclusions

For solvency purposes, ITIC uses the standard formula to calculate its Solvency Capital Requirement ("SCR") and as a mutual mono-line insurer of the professional indemnity risks of its members, ITIC's insurance business is classified as general liability insurance for Solvency II purposes. Business is largely underwritten from the United Kingdom other than EU policies incepting after 1st November 2019 which are underwritten from the Netherlands. Members are dispersed internationally.

During the year to 31st May 2021, ITIC made a financial statements UK GAAP surplus for the year of US$4.0m. This result was driven largely by increased claims being covered by increased premium and recoveries from the quota share reinsurance program. The surplus for the year resulted in free reserves at 31st May 2021 of US$46.1m.

This is the 26th year that ITIC has returned premium to its renewing members by way of a continuity credit scheme and the credit expected for the coming 2021/22 year will cost about US$11.6m out of total forecast premium of US$62.7m.

For solvency purposes:

a. Minimum Capital Requirement ("MCR") coverage. ITIC's eligible own funds stood at US$53.5m (2020: US$48.7m) against an MCR of US$4.3m (2020: US$4.1m) thus showing 1,237% coverage (2020: 1,194% covered).

b. Solvency Capital Requirement ("SCR") coverage. ITIC's eligible own funds stood at US$53.5m (2020: US$48.7m) against an SCR of US$13.7m (2020: US$11.5m) thus showing 391% coverage (2020: 423% covered).

Material changes.

Following Brexit, ITIC set up a fronting arrangement in the Netherlands in November 2019 and now reinsures EU business which has been underwritten in the Netherlands through UK P&I NV. This arrangement commenced underwriting for ITIC on 1st November 2019 and has caused little disruption to its EU members.

COVID-19 has not materially impacted the operations or finances of ITIC. This is discussed further in section A.1.6.

There are not considered to have been any other material changes over the reporting period.

A. Business and performance

A.1. Business

A.1.1 Name and legal form: International Transport Intermediaries Club Limited ("ITIC") is incorporated in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital.

A.1.2 Supervisory authority: The authority responsible for the financial supervision and review of the SFCR of ITIC is the Prudential Regulation Authority ("PRA") which is located at 20 Moorgate, London, EC2R 6DA.

The authority responsible for protecting consumers, enhancing market integrity and promoting competition is the Financial Conduct Authority ("FCA") whose address is 12 Endeavour Square, London E20 1JN.

A.1.3 External auditor: The auditors are BDO LLP, Statutory Auditor of 55 Baker Street, London, W1U 7EU.

A.1.4 Owners of the undertaking: ITIC is incorporated in England as a company limited by guarantee and not having share capital. Every person or company insured by ITIC shall be recorded as a member of ITIC. Every director of ITIC shall be a member, unless at the time of appointment the directors, in their sole discretion, decide otherwise. For example, ITIC's two non-member non-executive directors are not members.

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.

A.1.5 ITIC's position within the legal structure of the group: ITIC is not part of a group. ITIC has a 90% quota share reinsurance contract with Transport Intermediaries Mutual Insurance Association Limited ("TIMIA"). TIMIA is a parallel mutual insurer but the managers of the business will usually consider the combined financial position of the two entities when considering strategy or financial performance.

A.1.6 ITIC's business: The principal activity of ITIC during the year was the insurance of professional indemnity and public liability risks of professionals in the transport industry. For Solvency II purposes, ITIC's business is classified general liability insurance.

The number of members entered in ITIC on 31st May 2021 was 3,320. 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, 1066 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 UK and from Europe (where it reinsures premium underwritten by UK P&I NV), with a substantial number of members from North America, Australasia, the Far East and the Middle East.

The impact of COVID-19 was considered in detail in the financial statements of ITIC. The different areas covered included the impact on: day to day servicing, ITIC's members, the insurance operations, the investment operation, the solvency II capital coverage and going concern. The directors are confident that ITIC will push through the current situation maintaining its finances and operations.

The disclosure from the financial statements is reproduced here for information:

"Impact of COVID-19 in ITIC

COVID-19 (or Coronavirus) emerged in December 2019, and was classified as a global pandemic in March 2020. The emergence and spread of COVID-19 has had an impact on ITIC and this is considered in more detail below:

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."

A.1.7 Business planning: For management purposes, and consistent with the ITIC's business planning, strategy and ORSA, ITIC includes the results of its quota share reinsurer, TIMIA, when forecasting and reviewing its financial position. Whilst most tables / financial amounts will relate to the entity ITIC, if the amounts have been presented in as ITIC and TIMIA combined then this will be stated as such.

A.1.8 Trends and factors: The following summary of the year to 31st May 2021 has extracted from the Chairman's statement which is posted on the ITIC website. It should be noted that this statement refers to the combined ITIC and TIMIA results. Comments on the underwriting and investment result of ITIC as a solo entity are shown in sections A.2 and A.3.

"…in its 29th financial year, ITIC has produced a strong surplus. ITIC, combined with its mutual reinsurer TIMIA, returned a US$29.2m surplus for the year to 31st May 2021 ("2020/21") after paying US$13.3m for the cost of the continuity credit. This follows the US$19.7m credit paid in the previous year.

The investment return of 12.2% accounted for a contribution of US$30.4m. The budgeted forecast for the investment return was 3.0%.

The continuity credit is paid to renewing members and it effectively reduces the cost of your insurance. Your board, at its meeting in March 2021, reviewed the level of ITIC's free reserves and the relatively volatile investment markets. The board decided that, as the free reserves were still well above the amount required for ITIC's solvency requirement and being aware that the members needed all the support they could get in these very difficult and uncertain times, they were going to pay a continuity credit for the 27th consecutive year for all renewals in the 2021/22 year.

- For one year policies, the credit was 15% of the premium.

- For two year policies, the credit was 25% for year one with at least a 15% promised credit for year two.

- Those in the second year of a policy, begun in 2020/21, will receive a credit of 25%, which was substantially more than the original 10% promised by the board at its meeting in March 2020.

Your board considers the payment of such continuity credits to be a very important benefit of being covered by a mutual insurer, even more so in these difficult times. Since the continuity credit payments began 26 years ago, I am pleased to report that more than US$160.0m 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 two retentions in excess of the primary US$1.0m level and one retention excess of US$2.0m. As the marine insurance market has been a "hard" market for the past eighteen months to two years, ITIC paid 15% more for its reinsurance in addition to the adjustment for additional premium written throughout the year. We are comfortable that the reinsurance in place reduces the risks of large claims to an acceptable level at a reasonable cost, even with this increase.

ITIC's annual premium increased in 2020/21 by 4.3% and so ITIC has now had two good years of growth. In past years, premium has remained static largely because of continued consolidation in the transport services market. 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. Due to the lockdown in many countries and the difficulties travelling, ITIC has organised more webinars and podcasts which have attracted widespread international audiences.

It is important for ITIC to maintain its level of free reserves both for solvency reasons and to allow the levels of continuity credits to be paid to the membership. I am pleased to advise that the combined free reserves of ITIC and TIMIA have increased from US$184.7m as at 31st May 2020 to US$213.9m as at 31st May 2021 despite the two very high years of continuity credits paid in 2018 and 2019.

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 2019/20 policy year or any earlier year. The only full year that remains open is 2020/21. ITIC has never requested additional premium for any policy year.

ITIC underwrites approximately 30% of its business in the EEA via a fronting arrangement provided by an insurer based in Rotterdam, Netherlands for renewals. The business within the EEA is very important to us and the cover and service remains unchanged. All of ITIC's EEA business has now renewed via this route. Historical claims opened prior to the end of the Brexit transition period will continue to be dealt with and all the regulatory issues in the EEA have been addressed.

ITIC reports fully to Solvency II standards and is regulated by the Prudential Regulation Authority. Details of ITIC's solvency position can be found in the Solvency and Financial Condition Report, which is available on the ITIC website: https://www.itic-insure.com/about-itic/solvency-ii-reporting/

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. The focus will continue to be on maintaining strong reserves and the provision of quality service and sound risk management advice by a highly competent staff.

The accounts and financial highlights for the 2020/21 year will be available on the website (www.itic-insure.com) before the AGM on 23rd September 2021…"

A.1.9 Business Objectives: ITIC's objectives are as follows:

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.

A.2. Underwriting Performance

A.2.1 Underwriting performance: As illustrated below, which has been summarised from ITIC's financial statements:

- 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.

It should be noted that the figures relate to ITIC on its own.

	2021 US$ 000s	2021 % of gross earned premium	2020 US$ 000s	2020 % of gross earned premium
Gross earned premium	59,786	100.0%	57,338	100.0%
Less acquisition costs including management fee element	(9,744)	16.3%	(8,769)	15.3%
Less excess of loss reinsurance costs	(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	(26,977)	45.1%	(28,911)	50.4%
Management Fee (excluding acquisition and claims elements)	(5,861)	9.8%	(5,281)	9.2%
Other expenses	(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	(13,316)	22.3%	(19,722)	34.4%
Net result from quota share reinsurance	953	-1.6%	9,937	-17.3%
Deficit on technical account before investment result	(1,113)	-1.9%	(711)	-1.2%

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 1st 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.

Further geographical analysis is presented in appendix S.05.02 which forms part of ITIC's annual Quantitative Reporting Template ("QRT") requirement.

A.2.2 Mitigation techniques: 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.

A.3. Investments performance

A.3.1 Performance of investments: Below shows ITIC's investment return for the years to 31st May 2020 and 2021. All of ITIC's investments are in fixed income securities and UCITS, however its investment result is adjusted to reflect 10% of the combined return of ITIC and its quota share reinsurer TIMIA.

	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

A.3.2 Other information on investments: Information on investment expenditure is not shown separately. There are no gains or losses recognised directly in equity. There are no investments in tradable securities or other financial instruments based on repackaged loans.

A.4. Performance of other activities

ITIC does not carry on any other activities.

A.5. Any other information

ITIC underwrites approximately 30% of its business in the European Union excluding the United Kingdom. Since 1st November 2019, ITIC is providing cover via a fronting arrangement with UK P&I Club NV based in Rotterdam in the Netherlands.

Other. ITIC considers no other information relevant to the disclosure relating to its business and performance.

B. System of governance

B.1. General information on the system of governance

B.1.1 Structure of the undertaking's administrative, management or supervisory bodies: The Articles of Association ("the Articles") give the board of directors extensive powers to manage the affairs of ITIC, and the Articles set out how these powers are to be exercised. The board delegate the day to day running of ITIC to the managers, International Transport Intermediaries Management Company Ltd ("ITIM").

Board meetings are held at least three times a year. The Chairman has the power to call a board meeting at any time, and the Secretary of ITIC may call a board meeting at the request of any director.

The governance structure of ITIC is explained in the Risk Management Policy. In summary, this covers the following administrative, management and supervisory bodies.

a. Board. The board bear ultimate responsibility for the management of risk and for maintaining a sound system of internal control that supports the achievement of the business plan, policies, aims and objectives of ITIC.
b. Audit Investment & Risk ("AIR") committee. The AIR committee supports the board, particularly in overseeing matters concerning audit, investment and risk.
c. Risk owners. The risk owners include the chief executive officer, underwriting director, claims director, commercial director, chief financial officer, chief operating officer and the investment manager.
d. International Transport Intermediaries Management Company Ltd board ("ITIM board") - including the Risk Management Function. The ITIM board carries out the role of managers of the business.
e. Compliance function. The compliance function is largely carried out by the risk and compliance officer, an individual who does not get involved in the day to day running of the business and whose line management is outside of the business.
f. Actuarial Function. The actuarial function contributing to the effective oversight of the risk management system, risk modelling and the ORSA process.
g. Internal audit function. The internal audit function operates at the direction of the AIR committee. It assesses risks, forms and internal audit programme and undertakes internal audits.
h. Statutory auditors.

B.1.2 Material changes in the system of governance: There have been no material changes in the system of governance that have taken place over the reporting period.

B.1.3 Remuneration: There are no direct employees of ITIC. The non-executive directors of ITIC are remunerated by a fixed fee proposed by the managers and approved by the board which is not linked to the performance of ITIC. Directors' fees are not subject to pension or early retirement schemes. The directors are paid an annual fee and a fee for each meeting attended as authorised under the bye-laws. The current fees are:

	2021 Annual fee £	2021 Attendance fee £	2020 Annual fee £	2020 Attendance fee £
Chairmen of main ITIC board and Audit Investment & Risk Committee	18,000	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.

B.1.4 Variable remuneration components and shares: As detailed above, there are no direct employees and therefore no variable remuneration components other than that mentioned above.

B.1.5 Transactions with related parties: 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. These are the only transactions between ITIC and its members.

All the directors are current representatives of member companies and, other than the member interests of their companies, the directors have no financial interests in ITIC. ITIC's two non-member non-executive directors are not members. No loans have been made to the directors and none are contemplated.

ITIC reinsures with Transport Intermediaries Mutual Insurance Association Limited of Bermuda on a 90% quota share basis both its liabilities from 1st 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).

International Transport Intermediaries Management ("ITIM") provides key management personnel for ITIC. ITIM is a subsidiary of Thomas Miller Holdings Limited.

B.1.6 Assessment of the adequacy of ITIC's system of governance: The following has been extracted from the financial statements for the year to 31st May 2021:

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 cash flow 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:

- embed the consideration of the financial risks from climate change in ITIC's governance arrangements;
- incorporate the financial risks from climate change into existing financial risk management practice;
- use (long term) scenario analysis to inform strategy setting and risk assessment and identification; and
- 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 31st 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.

B.1.7 Delegation of responsibilities, reporting lines and allocation of functions: ITIC has no direct employees as ITIC's management is wholly outsourced to International Transport Intermediaries Management Co Ltd ("ITIM") or other companies within the Thomas Miller Holdings Ltd Group of companies (the "managers") in accordance with the management agreements. The management agreements also cover the management fees between ITIC and ITIM.

B.2. Fit & Proper requirements

B.2.1 Process: ITIC maintains a Fit & Proper policy which sets out its approach to the Fitness & Propriety of persons who effectively run ITIC, including the board, executive senior management and key function holders. It describes key aspects of the Fit & Proper processes and identifies the main internal reporting and review procedures.

B.2.2 Requirements: The objectives of the policy are to ensure that:

a. All persons who are within the scope of the policy meet the definitions of fit & proper as set out above;

b. Collectively and at any given time, the directors of ITIC possess sufficient knowledge, competence and experience to provide sound and prudent decision making in all areas relevant to business;

c. Collectively, the executive senior management, including individuals subject to the Certification Regime and key function holders ("management") possess sufficient knowledge, competence and experience to manage and operate ITIC effectively on a day-to-day basis. This will cover at least the following areas:

   i. Insurance and financial markets;
   ii. Business strategy and the business model;
   iii. System of governance;
   iv. Financial and actuarial analysis; and
   v. Regulatory framework and requirements;

d. Adequate and timely notifications and submissions are made to the relevant regulatory authorities.

In addition to the above it is appropriate that all those within scope of this policy understand the conduct standards and rules set out by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA").

B.2.3 List of responsible persons: The following is a list of those persons that are responsible for the key functions.

	Controlled functions if any		Length of time on board	Length of time as chair	Potential years remaining
ITIC board - non exec					
L Safverstrom	SMF9 Chair of the Governing Body		12.2	2.3	0.6
RM Bishop	SMF13 Chair of the Noms Committee		9.5		5.7
T Jones	-		9.5		3.7
M Shakesheff	SMF10 Chair Risk Committee & SMF11 Chair Audit Committee		9.5	7.0	24.0
J Woyda	-		6.5		10.6
C Devantier	-		2.3		15.1
S Portunato	-		2.3		3.3
C Schou	-		2.3		6.4
Resigned in last 12 months					
C Dohle (24/9/20)					
U Salerno (24/9/20)					
Joined in last 12 months					
T Durkin (non-member)			0.6		
A Groom (non-member)			0.6		
F Bognin			0.4		
ITIC board - exec					
AS Munro	SMF1 Chief Executive & SMF3 Executive Director		5.5		
TM Evans	SMF2 Chief Finance & SMF3 Executive Director		4.7		
TIMIA board - non-exec					
K Siggins			16.8		0.5
S Jones (chairman)			0.3	0.3	15.7
T Neijmeijer			0.3		15.7
TIMIA - Resigned in last 12 months					
GR Frith					
		Amber if	>12 years	>5 years	<3 years
ITIC managers			ITIM director (years)		
AS Munro	See above	CF1 Director app. rep.	25.6		
A Jamieson	SMF18 Other Overall Responsibility	CF1 Director app. rep.	24.1		
C Kirk	-	CF1 Director app. rep.	23.6		
A Mactavish	SMF23 CUO & SMF24 COO	CF1 Director app. rep.	15.0		
TM Evans	See above	CF1 Director app. rep.	12.3		
I Rosenthal	SMF4 Chief Risk & SMF16 Compliance	CF1 Director app. rep.	9.0		
T Irving	-	CF1 Director app. rep.	2.8		
M Brattman	-	CF1 Director app. rep.	0.4		
R Hodge	-	CF1 Director app. rep.	0.4		
P Patel	SMF20 Chief Actuary		n/a		
A Steet	SMF5 Head of Internal Audit		n/a		
M Carroll	SMF17 Money Laundering Reporting Officer (MLRO)		n/a		
L Gibbard (G Fleming left 21)	Head of IT		n/a		

B.3. Risk management system

The following information considers the process that ITIC has adopted to fulfil its obligation to conduct an ORSA. The following is an edited extract from the introduction to the ORSA overview report which was approved by the Board of Directors on 25th March 2021 and subsequently filed with the PRA.

B.3.1 The Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") forms part of ITIC's requirements under Solvency II to conduct an ORSA. The ORSA is an annual process and is used by ITIC to manage its financial and solvency position over the period of its medium-term Rolling Business Plan. In particular, it is necessary to ensure that the decisions underlying that plan are consistent with ITIC's risk appetite and business strategy. As such, the ORSA forms an important part of ITIC's business planning process.

ITIC has a 90:10 quota share reinsurance arrangement with its parallel reinsurer Transport Intermediaries Mutual Insurance Association Limited ("TIMIA"). ITIC and TIMIA are not a corporate group and, as a result, ITIC has to satisfy its regulatory solvency requirements as a solo entity. However, in day-to-day operations the two entities are considered alongside each other in all respects and their financial position managed on a combined basis. Thus, this ORSA also reports on a combined basis and, unless stated otherwise, ITIC refers to ITIC and TIMIA on a combined basis.

The ORSA process for 2020/21 has been conducted in line with ITIC's ORSA policy and has culminated in the ORSA report which, together with the regular Key Risk Indicators of board agendas, provides a high-level overview to help directors understand the risks around ITIC's business strategy and in particular its medium-term business plan. The following table provides a summary guide to this report:

Sections	Title	Description
2	Executive summary	
3	Strategy	A recap of ITIC's strategy and high-level risk appetites.
4	Summary of recent performance	A summary of recent experience to provide some background.
5	Risk profile	An overview of ITIC's risk profile broken down by Solvency II risk categories.
6	Business planning	Forecasts (and underlying assumptions) of ITIC's financial position and capital adequacy over the medium term. Scenario tests in respect of possible variances.
7	Entities	A summary of the capital requirements and risk profile for ITIC on a solo entity basis.
8	Appendix A: Key judgements, validation and limitations	A summary of the key judgements, assumptions, sensitivities and limitations around the capital model. Some model validation via scenario testing is also included.
9	Appendix B: Appropriateness of the standard formula SCR	A comparison of ITIC's risk profile to that assumed by the Solvency II standard formula. This is a key regulatory requirement of the ORSA.
10	Appendix C: Risk appetite graphs for continuity credit options	The risk appetite graphs for each of the continuity credit options proposed for the forthcoming renewal.
11	Appendix D: Risk appetite graphs for investment mandate options	The risk appetite graphs for each of the investment mandate options proposed by the investment manager.
12	Appendix E: Glossary	

This report was high-level in nature and references were made to supporting documents throughout.

B.3.2 Description of risk management framework: The risk management framework is explained in the Risk Management Policy. It explains the ITIC's underlying approach to risk management:

a. It describes key aspects of the risk management process;
b. Identifies the main reporting procedures; and
c. Forms part of the ITIC's internal control and governance arrangements.

The document also describes the process that the board use to evaluate the effectiveness of ITIC's risk management and internal control.

ITIC has identified its meaningful risks and considers that its risk universe comprises the list below. These exposures could threaten ITIC's viability, materially impact asset values or result in material underperformance.

a. Strategic risks: exposures arising from inadequate or ineffective strategy formulation as well as the risk of ineffective execution;
b. Underwriting and reserving risks;
c. Concentration risks: exposures from being a mono-line insurer in a specialist area;
d. Reputational risks;

e. Financial risks: encompassing liquidity, credit, reinsurance, investment and asset liability management risks;
f. Operational risks: exposures arising in day-to-day business activities and include organisational risks which take in the potential of having ineffective or insufficient leadership as well as the quality of talent and effectiveness of human resource systems such as development, compensation and performance management;
g. Compliance risks; and
h. External risks: exposures the enterprise cannot control.

Each risk identified in ITIC's business risk assessments is linked to one of the above.

The risk universe helps shape the ITIC board agenda and tasks management to undertake initiatives to reduce exposures and improve performance. This is summarised in this policy and works alongside the ITIC rolling business plan.

The objectives of the ITIC risk management policy are to identify, manage and report risk in a consistent and timely fashion on the basis of the ITIC's risk appetite as agreed by the ITIC board and documented in the business plan (see also risk appetite & tolerances below).

The risk management policy seeks both to ensure that all activities of the business are appropriately aligned to the furtherance of business plan and to provide the necessary independent challenge to those activities. It also helps to both support and relay the business plan throughout the organisation.

The following key principles outline the ITIC's approach to risk management:

a. to recognise and disclose the financial and non-financial implications of risks;
b. to be compliant with all laws and regulations;
c. to maintain processes that address all risks associated with the business;
d. to be proportionate to the nature, scale and complexity of the risks inherent in the business;
e. to be integrated into planning, decision-making and operational processes, and responsive to changing circumstances; and
f. to deliver continuous improvement in the control environment.

ITIC's internal control and risk management systems apply the 'three lines of defence' model:

a. First line of defence: the risk owners – these are the business units such as underwriting, claims, actuarial and finance responsible for matters such as the identification and effective management and mitigation of risks;
b. Second line of defence: risk management and compliance functions, providing challenge to activities and decisions that materially affect ITIC's risk profile; and
c. Third line of defence: internal and external audit providing independent assurance.

B.3.3 Information on strategies processes and risks: The following has been disclosed in the notes to the financial statements.

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.

B.3.4 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.

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.

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.3.5 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. At the 31st May 2021, the total retained GAAP reserves available amounted to US$46.1m (2020: US$42.1m).

ITIC's strategy is to maintain sufficient capital to exceed the Standard Formula Solvency II Capital Requirements such that there is less than a 1 in 200 chance of breaching this requirement over the subsequent year.

B.3.6 Information on material risks not fully included in the calculation of the Solvency Capital Requirement ("SCR"): No material risks have been omitted from the calculation of the SCR. However, the Own Solvency Needs Assessment, which evaluates the ITIC's own view, as opposed to the regulatory view, of solvency needs, portrays a capital requirement with a more complete view of the various risk elements.

B.4. Internal control system

B.4.1 Description of internal control system: The main objectives of ITIC's internal control policy are to help secure:

a. the effectiveness and efficiency of operations in view of ITIC's business strategy and objectives, and the protection of its resources; and
b. the availability and reliability of appropriate, accurate and complete financial and non-financial information for internal and external reporting.

It is acknowledged that because of its inherent limitations, internal control can provide only reasonable assurance that ITIC's objectives and goals will be achieved.

ITIC's internal control and risk management systems apply the 'three lines of defence' model:

a. First line of defence: the risk owners – these are the business units such as Underwriting, Claims, Actuarial and Finance responsible for matters such as the identification and effective management and mitigation of risks;
b. Second line of defence: risk management and compliance functions, providing challenge to activities and decisions that materially affect ITIC's risk profile; and
c. Third line of defence: internal audit providing independent assurance.

The board bears ultimate responsibility for maintaining an internal control policy that supports the achievement of the business strategy and objectives of ITIC. Its responsibilities include:

a. Setting the tone and influencing a strong culture of internal control within ITIC, including the standards and expectations for staff with respect to conduct and probity;
b. Providing governance, guidance and oversight;
c. Reviewing and challenging the key performance indicators ("KPI"), key risk indicators ("KRI") and key control indicators ("KCI") at each board meeting.
d. Reviewing at least annually ITIC's overall approach to internal control and assessing the effectiveness of this policy in managing the mitigating controls

associated with business risks, challenging findings and recommendations for change or to maintain the status quo as necessary and approving changes or improvements to this policy as appropriate.

The AIR committee supports the board by:

a. Considering the effectiveness of this policy, management information and internal control processes;
b. Reviewing and challenging the KPI, KRI and KCI at each committee meeting
c. Considering the incidence of any material control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results and regulatory requirements;
d. Reviewing this policy on an annual basis and approving recommendations by the ITIM board for changes or for the maintenance of the status quo. Then recommending this policy for approval by the board on an annual basis;
e. Reporting and making recommendations as appropriate, to the board on the activities, reviews and evaluations set out above and as required.

Whereas the board bears ultimate responsibility for Internal Control, the Managers are responsible for establishing, maintaining and promoting efficient business practices and effective internal control processes. The ITIM board is responsible for:

a. Carrying the tone set by the board through to the managers and promoting a strong culture of internal control;
b. Maintaining an overview of the adequacy of control activities to mitigate risk exposures, identify material control failings and weaknesses, reviewing EQMS management reviews, internal and statutory audit reports (on internal control), considering loss / near miss events, control failures, and identifying and assessing improvement needs and opportunities, monitoring their implementation as required;
c. Monitoring the relevant KPI, KRI and KCI at each meeting.
d. Monitoring the implementation of agreed improvements to internal control processes arising from the findings of EQMS management reviews, internal and statutory audit reports;
e. Reviewing this policy for its effectiveness, and considering suggestions for change or the maintenance of the status quo at least annually, challenging as appropriate.
f. Ensuring the application of this policy and the design, development, implementation, embedding, documentation and maintenance of effective internal control processes in each ITIM board member's area of operation.

The risk management function's responsibilities in respect of internal control include:

a. challenging the effectiveness of internal control processes to mitigate risk;
b. identifying and reviewing notifications by others of loss / near miss events in the Operational Risk Database.

The Regulatory Compliance function's responsibilities include monitoring compliance with policies and procedures in respect of Internal Control as set out in the Regulatory Compliance Framework.

The Actuarial function's responsibilities include contributing to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements; and the ORSA process.

All staff are responsible for:

a. Accurate input of data and production of information;
b. Accurate performance of internal control activities;

c. Reporting of operational problems, non-compliance or other policy violations or illegal actions;
d. Suggesting improvements which may increase the effectiveness and efficiency of processes including EQMS processes and procedures as appropriate.

The internal audit function's responsibilities in respect of internal control include:

a. Monitoring that this policy and the internal control processes throughout ITIC are properly designed and implemented in furtherance of the internal control objectives and that they are operating in an effective and efficient manner;
b. Reporting to the AIR committee and board on the adequacy and effectiveness of this policy and internal control processes, compliance therewith, and making recommendations for improvement as appropriate.

Statutory auditors provide the boards, members and managers with assurance by:

a. Giving an opinion on whether the financial statements give a true and fair view of the state of ITIC's affairs at the year-end and of its result for the year just ended;
b. Informing the AIR committee on the operation of the internal financial controls reviewed as part of the annual audit.

The managers are responsible for promoting the strong culture of internal control and for establishing and maintaining an effective control environment, linked to and in support of risk management and the risk appetite set by the boards, throughout the organisation.

The policy is underpinned by a series of policies, processes, procedures and plans, designed to define and support effective, efficient and appropriate activities at every level of the business. Amongst other things, these ensure that all staff have a sound understanding of ITIC, its objectives and the risks it faces, and are fully aware of the policy and understand their role within it.

B.4.2 Key procedures: Control activities designed to prevent, detect or mitigate are in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed.

The nature of the controls implemented and the level of control exercised are based on the assessment of frequency and impact of the risk, ITIC's risk appetite and the cost of implementing controls relative to the significance of the risk.

Management monitoring activities include analyses and reconciliations, and the monitoring of the following indicators:

a. Key Performance Indicators (KPI) covering financial performance for the period
b. Key Risk Indicators (KRI) in the form of ratios, tolerances & limits
c. Key Control Indicators (KCI) summarise assurance results for the period

Reviews, including reports on loss / near miss events, existing and emerging risks, and all Internal and statutory audit findings are all evaluated by the ITIM board in order to implement appropriate improvement to internal control processes.

B.4.3 Review of internal control policy: Reviews are undertaken as set out throughout this policy. Unless otherwise stated, all reviews are carried out at least annually. The purpose of these reviews is to provide assurance throughout the business and to the board in relation to the effectiveness of the managers' ongoing processes for designing, operating and monitoring the system of internal control.

B.5. Internal audit function

B.5.1 How the internal audit function is implemented: Internal audit is defined as the examination and evaluation of the design effectiveness and operation of the systems of internal control and all other elements of the system of governance.

Internal audit is the "third line of defence" in a company's internal control framework, established to provide independent assurance that the risk mitigation processes established by management ("first line") and the monitoring and oversight provided by the risk management and compliance functions ("second line") are working effectively.

The objectives of the internal audit function are to provide assurance that business risks are recognised and are being well managed and controlled by effective systems and controls through:

a. Evaluating the functioning of the systems of internal control and all other elements of the system of governance in place for ITIC which includes:
    - policies, procedures and controls;
    - risk management;
    - management and financial information;
    - methods of safeguarding, verifying and accounting for assets; and
    - efficient use of resources.
b. Examining and evaluating the compliance of activities compared with strategies, policies and reporting procedures;
c. Providing the AIR committee and the board with information and recommendations which will assist them to have in place an adequate and effective system of internal control;
d. Sharing recommendations of internal audit findings between other Thomas Miller managed clubs, whilst maintaining appropriate confidentiality, where they may be relevant and appropriate;

The following key principles outline the approach to internal audit and the internal audit function:

a. to provide impartial analysis and appraisal that is independent of the operations of the business;
b. to make recommendations for cost effective continuous improvement of internal control;
c. to be proportionate to the nature, scale and complexity of the risks inherent in the business;
d. to ensure compliance with applicable laws and regulations.

B.5.2 Independence: The TMH internal audit function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business.

The internal audit function shall:

a. have full authority to access any of ITIC's records, files or data, including management information and the minutes of decision-making bodies whenever relevant for the performance of its tasks;

b. have full authority to speak without hindrance to any member of staff in connection with the discharge of its responsibilities;
c. be free to express its opinions and to disclose its findings and appraisals to the AIR committee;
d. be impartial and perform its assignments with complete objectivity; and
e. have direct and independent access to the Chairman of the AIR committee or a nominated alternate.

B.5.3 Internal Audit reports: Audits are carried out regularly and contribute to checking of controls and improvements in processes.

B.5.4 Internal Audit policy: This document is maintained by the ITIC board and is reviewed at least annually. It explains the approach to internal audit. It describes the scope and status of the internal audit function, the roles and responsibilities of the different parties involved the high-level processes and the reporting procedures. It forms part of the governance arrangements for both ITIC and the managers. This document also describes the way in which the board and AIR committee evaluate the effectiveness of the internal audit function and the internal control policy.

B.6. Actuarial function

ITIC's board of directors are ultimately responsible for ensuring an effective actuarial function. The actuarial function is a designated function under Article 48 of the Level 1 Framework Directive (Directive 2009/138/EC).

ITIC's actuarial function is performed by Thomas Miller's actuarial team, led by its Chief Actuary. For line management purposes, the actuarial function reports to Thomas Miller's Chief Finance Officer and is independent of the ITIC's management team. However, for operational purposes, the actuarial function is integrated into the ITIC's internal control system, often through its role on a selection of its committees.

The ITIM board and, ultimately, the board of ITIC are responsible for ensuring an effective actuarial function, in particular that:

a. The actuarial function is free from influences that may compromise its ability to undertake its duties in an objective, fair and independent manner.
b. The actuarial function shall be able to communicate at its own initiative with the Board or any staff member and shall have the necessary authority, resources and expertise and ensure that it has unrestricted access to all relevant information necessary to carry out its responsibilities.

The actuarial function shall, as a minimum:

a. coordinate and oversee the calculation of technical provisions;
b. ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c. assess the sufficiency and quality of the data used in the calculation of technical provisions;
d. inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
e. express an opinion on the overall underwriting policy;
f. express an opinion on the adequacy of reinsurance arrangements; and
g. contribute to the effective implementation of the risk-management system, in particular with respect to:

i. the risk modelling underlying the calculation of the capital requirements; and
ii. the ORSA process.

In performing its duties, the actuarial function shall:

a. carry out actuarial activities in accordance with prevailing actuarial professional guidance/technical standards;
b. achieve the necessary level of compliance with all relevant laws and regulations;
c. be proportionate to the nature, scale and complexity of the strategies, structure and activities of the business and their inherent risks;
d. maintain practical control processes that require and encourage all staff to carry out their duties and responsibilities in a manner that achieves the above objectives; and
e. ensure that the techniques and assumptions employed are appropriate, taking into account current information, progress in actuarial science and generally accepted market practice.

The ITIC's actuarial function compiles an actuarial function report for the board of directors on an annual basis.

The actuarial function has undertaken its key responsibilities under Solvency II. In particular it has produced the Data Opinion, the technical provisions opinion, underwriting opinion and reinsurance opinion.

B.7. Outsourcing

Outsourcing is an arrangement of any form whereby a service provider performs a service or activity whether directly or subcontracted, which would otherwise be performed by ITIC. The outsourcing policy is directed at services which are particularly important to ITIC's business. These are known as material business activities.

B.7.1. Material business activities

Material business activities include the key functions of ITIC's system of governance, i.e. risk management, compliance, actuarial and internal audit as applicable, and all functions or activities that are fundamental to enable it to carry out its core business, including underwriting, claims handling, accounting and investments. A material business activity is one that has the potential, if disrupted, to have a significant impact on ITIC's business operations or its ability to manage risks effectively, having regard to such factors as:

a. the financial and operational impact and impact on reputation;
b. the degree of difficulty in finding an alternative service provider or bringing the business activity in-house;
c. the ability of ITIC to meet its regulatory requirements;
d. potential losses to ITIC's members and other affected parties; and
e. the relationship between ITIC and the service provider.

ITIC's management is wholly outsourced under a management agreement to its managers, the Thomas Miller Holdings Limited group of companies ("Thomas Miller"), of which its subsidiary, International Transport Intermediaries Management Company Limited ("ITIM") is ITIC's appointed representative. The role of the appointed representative is undertaken by the CEO of ITIM acting as an executive director of ITIC, and the CFO of ITIM is also a director of ITIC. The managers' duties under the management agreement may be delegated by them, in particular but not exclusively, to other companies within Thomas Miller while retaining full responsibility under the management agreement.

In addition to this main function, investment management and internal audit are also subject to outsourcing arrangements.

With respect to the three keys areas of outsourcing identified:

a. Management outsourcing. The management outsourcing has been structured in compliance with UK regulatory requirements. In order to comply with its regulatory obligations, the board has developed monitoring and reporting procedures and the AIR committee monitors, among other things, internal controls and risk. The risk control and reporting procedures to be followed by the managers form part of their obligations under the management agreement.

b. Investment management outsourcing. Management of ITIC's investments is outsourced to Thomas Miller Investment Limited, part of Thomas Miller, under an investment management agreement. The performance of the investment managers is monitored and supervised by the board and the AIR committee of the board.

c. Internal audit outsourcing. ITIC's internal audit function is outsourced to Thomas Miller Internal Audit, under a services agreement. Internal audit is supervised by the AIR committee and the board.

B.7.2. Jurisdictions

Outsourced service providers operate mainly within the United Kingdom. However, fronting for EU policies incepting after 1st November 2019 is undertaken in the Netherlands.

B.8. Any other information

ITIC considers no other information material to be disclosed.

C. Risk profile

ITIC has identified its meaningful risks and considers that its risk universe comprises the list below. These exposures could threaten ITIC’s viability, materially impact asset values or result in material underperformance.

a. Strategic risks: exposures arising from inadequate or ineffective strategy formulation as well as the risk of ineffective execution;
b. Underwriting and reserving risks;
c. Concentration risks: exposures from being a mono-line insurer in a specialist area;
d. Reputational risks;
e. Financial risks: encompassing liquidity, credit, reinsurance, investment and asset liability management risks;
f. Operational risks: exposures arising in day-to-day business activities and include organisational risks which take in the potential of having ineffective or insufficient leadership as well as the quality of talent and effectiveness of human resource systems such as development, compensation and performance management;
g. Compliance risks; and
h. External risks: exposures the enterprise cannot control.

Each risk identified in ITIC’s business risk assessments is linked to one of the above.

The risk universe helps shape the ITIC board agenda tasks management to undertake initiatives to reduce exposures and improve performance. This is summarised in ITIC’s risk management policy and works alongside the ITIC rolling business plan.

The following considerations of each type of risk are largely summarised from the financial statements for the year ended 31st May 2021.

C.1. Underwriting risk

Underwriting risk is the risk that ITIC’s net insurance obligations (i.e. claims less premiums) are different to expectations. ITIC considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed by ITIC’s reserving policy. ITIC establishes provisions for unpaid claims and related expenses to cover its expected ultimate 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.

Premium risk is managed by the underwriting policy which establishes robust underwriting practices in order to meet business needs and satisfy regulatory control. These are supplemented with a robust forecasting approach undertaken as part of ITIC’s ORSA process.

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:

a. Inappropriate underwriting of risks;
b. Failure of one or more reinsurers;
c. Prohibitive cost / unavailability of reinsurance;
d. Inappropriate or inconsistent reserving methodologies;
e. Failure to react to major increase in claims;
f. Impact of new legislation on risks written; and
g. 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.

	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.

C.2. Market risk

Market risk arises through fluctuations in interest rates, corporate bond spreads and foreign currency exchange rates. Such movements will affect not only the ITIC's investments, but also the value of other assets and liabilities such as premium income, claims payments and reinsurance recoveries.

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rate, liabilities to policyholders are exposed to 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.

A list of assets and derivatives may be found in S.06.02 and S.08.02 as reported to the PRA under ITIC's annual regulatory reporting requirement. This list is not included within the SFCR. With the exception of operational cash funds, these assets are subject to ITIC's investment policy and mandate and as a result the prudent person principle.

C.2.1 The prudent person principle

ITIC's investment policy states that the AIR committee should monitor and advise whether the investment managers have adhered to the "prudent person principle" with regards to its management of the investments. This is stated in the Investment policy and repeated below:

"ITIC's investments are invested and managed as follows:

a. only in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
b. in such a manner as to ensure the security, quality and liquidity of the portfolio as a whole;
c. in a manner appropriate to the nature and duration of ITIC's insurance liabilities. All assets are invested in the best interest of the policy holders insured by ITIC;
d. the use of derivative instruments are possible insofar as they contribute to a reduction of risks or facilitate efficient portfolio management;
e. investments and assets which are not admitted to trading on a regulated financial market are kept to levels advised by the investment mandate and ultimately the risk appetite;
f. investments are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole; and
g. such that investments in assets issued by the same issuer, or by issuers belonging to the same group, does not expose ITIC to excessive risk concentration.

The AIR committee approved this statement at its meeting on 15th July 2021.

C.3. 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:

a. Reinsurers' share of insurance liabilities;
b. Amounts due from reinsurers in respect of claims already paid;
c. Amounts due from policyholders;
d. Amounts due from insurance intermediaries;
e. Amounts due from bond issuers;
f. Cash at banks and deposits with credit institutions; and
g. 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$40.4m 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 31st 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

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).

C.4. Liquidity 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

The assets in the above tables are not impaired due to the fact that their full value is deemed to be recoverable.

C.4.1 Reliance on expected future profit: As ITIC is a mutual insurer, it does not aim to make “profit” from its activities. However, surpluses or deficits may arise in the course of its operations due to actual experience being different to expectations. Given the holding in liquid assets, ITIC does not rely on expected future surpluses to ensure its liquidity.

ITIC’s Solvency II balance sheet as at 31st May 2021 recognises expected future premium from members in its technical provisions in respect of outstanding premium income for business already bound at the balance sheet date. Comparing this to the corresponding expected claims outcome and associated expenses, this premium is expected to produce a surplus of US$7.5m (2020: US$4.7m). However, it should be noted that the Solvency II balance sheet does not reflect all future expenses and the expected surplus (if any) over the year arising from this premium would be lower than this.

C.5. Operational risk

Operational risks are the risks of monetary or other losses arising from failed or inadequate processes, people, systems or external events. ITIC creates a framework of policies, procedures and controls to minimise the potential for these events.

ITIC creates a framework of policies, procedures and controls to minimise losses from these mistakes. Procedure manuals are maintained on the Electronic Quality Management System (“EQMS”).

ITIC accepts that on occasion, operational loss events can occur, but there should be control mechanisms in place to reduce the likelihood and ensure that the same mistake is not made twice.

All events that lead to a loss greater than US$10,000 are recorded in the Operational Risk Database. Near misses with the potential to lose more than the same amount are also recorded. Summaries are provided in the KCIs and lessons should be learned from them.

This is detailed further in the risk management policy.

C.6. Other material risks

ITIC has not identified any other material risks that it considers should be disclosed.

C.7. Any other information

ITIC carries out stress and scenario testing as part of its risk management and ORSA process. For management purposes stress and scenario testing are carried out combining ITIC with its parallel quota reinsurer TIMIA.

The base case business plan forecast for the next three years is used as the starting point for scenario testing. The impacts of adverse scenarios are then evaluated.

A key part of validating the internal model is to test the reasonableness of the outputs. To provide an independent test, the managers could consider scenarios for each risk and attribute a likelihood of occurrence to the scenario. These scenarios could then be compared to the internal model outputs to determine whether the internal model captures the range of scenarios adequately.

Given that market risk makes up over half of ITIC's OSNA, scenarios have been considered specifically for this risk. These are compared with the internal model outputs in the table below. The managers have not considered it necessary at this stage to consider specific, additional scenarios for validation of the other risks beyond those noted earlier in the medium term forecasting and also in the reverse stress testing. Further scenarios may be considered for these risks in the future if the Managers feel it is appropriate to do so.

The following scenarios are included in ITIC's latest ORSA and assessed against ITIC's risk corridor:

a. A very soft market and net lost business; and
b. Soft market (competition & capacity), higher claims inflation and deterioration in back years.

The management team also considered:

a. Loss of four members of the management team;
b. Loss of operational performance following known imminent changes in management team and non-executive board of directors.
c. Lack of reinsurance available in the market place;
d. A major broker decides to not place business with ITIC;
e. Change in insurance environment;
f. Mergers;
g. Decision to give excessive amounts of funds back to members via continuity credit;

h. Climate change:
i. Loss of electronic data and cyber risks:
j. Expenses;
k. Coronavirus pandemic; and
l. Credit/Liquidity risk.

The investment managers' quantitative risk consultants, Redington, also considered a series of market risk scenarios. Given that market risk makes up over half ITIC's Own Solvency Needs Assessment ("OSNA"), scenarios have been considered specifically for this risk. These are compared with the model outputs. The managers have not considered it necessary at this stage to consider specific, additional scenarios for validation of the other risks beyond those were consider in the medium term forecasting and also in the reverse stress testing. Further scenarios may be considered for these risks in the future if felt appropriate.

Furthermore, ITIC undertook reverse stress testing considering:

a. Severe Economic Collapse;
b. Gap in reinsurance cover; and
c. Shipping Market Collapse.

The results of the various tests were incorporated into the ORSA and referred to in its executive summary. ITIC is expected to continue to meet its overall capital risk appetite over the medium term on its base case assumptions. However, alternative adverse planning scenarios based on a softer insurance market indicate that there is a chance that the risk appetite could be breached under extreme scenarios (e.g. a repeat of the 2009 shipping market collapse). Nevertheless, the SCR, itself a form of stress test, shows that ITIC can maintain its solvency over a one year period with 99.5% certainty.

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.

ITIC has not identified any other material information that it considers should be disclosed.

D. Valuation for solvency purposes

A basic principle of Solvency II is that assets and liabilities are valued on the basis of their economic value. This is the price which an independent party would pay or receive for acquiring the assets or liabilities. The value of the assets less the value of the liabilities is then taken as the starting point for determining the available own funds.

Materially all of the valuation differences between the Solvency II balance sheet and the current accounting balance sheet relate to the valuation of insurance liabilities ("technical provisions") which is further discussed in D.2 – Technical Provisions. ITIC prepares its financial statements under UK GAAP including FRS 102 and 103.

The Solvency II balance sheet is presented in appendix S.02.01.02.

No transitional period has been taken.

D.1. Assets

	Solvency II 31/05/2021 US$000s	UKGAAP 31/05/2021 US$000s	Solvency II 31/05/2020 US$000s	UKGAAP 31/05/2020 US$000s
Deferred Acquisition costs	-	510	-	530
Financial investments and derivatives	68,999	68,999	62,716	62,716
Derivatives	8	8	63	63
Reinsurers' share of technical provisions	86,355	119,205	76,909	108,521
Insurance and intermediaries receivables	2,299	20,509	2,690	22,856
Reinsurance receivables	122	122	6,665	6,665
Receivables, trade not insurance	343	343	550	550
Cash and cash equivalents	5,987	5,987	7,989	7,989
Deposits other than cash equivalents			4,226	4,226
Any other assets, not elsewhere shown	4,924	4,924	1,714	1,714
Total	**169,037**	**220,607**	**163,522**	**215,830**

The above table presents amounts at Solvency II and UK GAAP valuation bases respectively. For classification purposes the Solvency II classification of amounts has been used. UK GAAP assets shown above US$220.6m, less UK GAAP liabilities detailed in D.3 of US$174.5m, equal US$46.1m of retained income and expenditure reserves at 31st May 2021 as per the amount shown in the statutory accounts. The breakdown between assets above and liabilities is different to the financial statements, largely because 'Deferred Acquisition Costs' being presented net for the purposes of Solvency II in addition to differing valuation bases used for Technical Provisions under GAAP and Solvency II bases.

ITIC's assets are valued using the following principles. These principles highlight where there are adjustments between GAAP accounting and Solvency II accounting.

D.1.1 Financial Investments: Investments are carried at market value. Market value is calculated at the close of business on the balance sheet date. The market value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

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.

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 on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.1.2 Derivatives – forward currency contracts: Further detail on ITIC's valuation policy for derivatives may be found in D.3.1.

D.1.3 Reinsurer's share of technical provisions: Reinsurer's share of technical provisions is treated consistently to gross technical provisions. Technical provisions are further discussed in D.2.

D.1.4 Reinsurance receivables: This balance includes amounts recoverable from excess of loss reinsurance contracts in respect of claims payments made and covered by these contracts. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

D.1.5 Receivables, trade not insurance: This balance includes sundry, short term receivable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.1.6 Insurance and intermediaries' receivables: These represent balances that are due for existing insurance contracts. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value. These amounts are reviewed annually for impairment.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions for Solvency II purposes as further detailed in D.2. This is materially different to statutory account requirements which require these balances to be presented separately on the face of the balance sheet whether they are due or not yet due.

D.1.7 Cash and cash equivalents: Cash and cash equivalents include cash at bank or in hand, deposits held at call with banks and other short term highly liquid investments. The carrying value of these balances is considered to be a suitable proxy for fair value.

There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.2.Technical provisions

Net technical provisions as at 31st May 2021 are shown below.

	31/05/2021 US$000s	31/05/2020 US$000s
Gross best estimate	86,446	76,866
Risk Margin	1,748	2,061
	88,194	78,927
Reinsurance best estimate	(86,355)	(76,909)
Net technical provisions	**1,839**	**2,018**

Refer to Appendices S.17.01.02 and S.19.01.21 for further details on technical provisions.

ITIC's technical provisions are valued using the following principles. These principles highlight where there are adjustments between GAAP accounting and Solvency II accounting.

D.2.1 Bases, methods and main assumptions

The technical provisions are valued using the methodology prescribed by the Solvency II Directive and associated regulations. They consist of a "best estimate" of future cash flows (claims, premiums and expenses), which are discounted in line with risk-free interest rates to give the "present value" of those cash flows. Finally, a (market value) "risk margin" is added to take the total to a notional market value (i.e. equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations).

D.2.2 Claims: As ITIC only covers general liabilities, all claims are analysed together in one risk group. Standard actuarial techniques are used to project these cash flows including chain ladder and Bornhuetter-Ferguson methods. The key assumptions related to the initial expected claims cost for each policy year and the projected notified claims development pattern. These methods are considered appropriate given the longevity and stability of ITIC and its claims handling processes.

Allowance is made for claims on contracts bound, but for which coverage has not yet incepted (corresponding to the premium provision). These are valued using an inflation assumption applied to the previous year ultimate.

The future claims cash flows are the most uncertain element of the technical provisions. The uncertainty involved was further discussed in Section C1 on Underwriting Risk.

D.2.3 Premiums: The premium cash flows in the technical provisions cover:

i. the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the provision for claims outstanding); and
ii. the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).

D.2.4 Expenses: The technical provisions include expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. The provision is calculated directly in respect of the provision for claims outstanding (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted and unexpired business).

D.2.5 Risk margin: The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a prescribed cost-of-capital rate of 6% per annum. This calculation is based on the assumption that a "reference undertaking" takes on the insurance obligations (and associated reinsurance arrangements). The SCR in this context is made up of underwriting risk, counterparty default risk and operational risk only; assets are assumed to be invested in such a way that market risk will be zero and the referencing undertaking does not take on any new insurance obligations. The SCRs in future time periods have been assumed to be directly proportional to the best estimate claims liabilities net of reinsurance recoverables at those points in time.

D.2.6 Reinsurance recoverables: This relates to ITIC's expected reinsurance recoverables from its reinsurance arrangements at the valuation date. It is made up of two elements: reinsurance payments and reinsurance premiums. These are valued on a consistent basis with the corresponding claims and premiums elements of the technical provisions. In addition, an adjustment is made to take account of expected losses due to default of the reinsurance counterparties. See also the note on ITIC's fixed charge over US$35.0m of TIMIA investments (section C.3); these assets were valued at US$40.4m at 31st May 2021.

D.2.7 Sources of uncertainty: The estimation of the ultimate liability arising from claims made under insurance contracts is ITIC's most critical estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that ITIC will ultimately pay for such claims. Estimates are made for the expected ultimate cost of reported claims at the end of the reporting period. The estimate of incurred but not enough reserved ("IBNER") is generally subject to a greater degree of uncertainty. 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.

In particular the following represents the main sources of uncertainty that may impact the outcome of ITIC's technical provisions:

- Certain claims may turn out to be significantly longer, or shorter tailed than the whole book leading to an over / underestimation of claims reserves. There is also an uncertainty around numbers and average cost of these claims.
- There is potential for IBNER to deteriorate to a greater extent than allowed for in the projections.
- New and unexpected claims types could impact the reserving methodology. This is partly allowed for in ITIC's provision for Events not in Data.
- Uncertainty surrounding the development and cash flow patterns may impact the outcome of ITIC's technical provisions.
- Currency and exchange rates are inherently uncertain and may impact the outcome of the final technical provisions amount.

D.2.8 Differences between GAAP and Solvency II technical provisions

A reconciliation of UK GAAP technical provisions to Solvency II technical provisions is shown in the table below:

	Notes	31/05/2021 Gross US$000s	31/05/2021 Reinsurance US$000s	31/05/2021 Net US$000s	31/05/2020 Gross US$000s	31/05/2020 Reinsurance US$000s	31/05/2020 Net US$000s
UK GAAP technical provisions		**130,148**	**119,205**	**10,944**	**119,192**	**108,521**	**10,671**
Eliminate UPR reserve	1	(36,652)	(33,015)	(3,637)	(35,580)	(32,022)	(3,558)
Eliminate margin	2	(10,228)	(9,205)	(1,023)	(10,077)	(9,069)	(1,008)
Reallocate premiums not yet due	3	(18,210)	(17,019)	(1,191)	(20,190)	(18,622)	(1,568)
Adjustment to expense reserve	3	757	757	-	580	580	-
Unexpired and BBNI contract cash flows	4	20,975	25,941	(4,966)	22,386	26,991	(4,605)
Reinsurance counterparty default adjustment	5	-	(16)	16	-	(9)	9
Effects of discounting	6	(1,895)	(1,766)	(129)	(804)	(759)	(45)
ENID adjustment	7	1,551	1,473	78	1,359	1,298	61
Solvency II risk margin	2	1,748	-	1,748	2,061	-	2,061
Total Solvency II technical provisions		**88,194**	**86,355**	**1,839**	**78,927**	**76,909**	**2,018**

Notes

1. Unearned premium. The Solvency II balance sheet contains no concept of deferral of premium, and as such any such balances are eliminated upon transition to the Solvency II balance sheet. These balances are replaced by a provision for future cash flows expected on unexpired business.

2. Contingency margin and Solvency II risk margin: Since the Solvency II technical provisions figure is a best estimate, margins for prudence are removed under the Solvency II valuation methodology. This is replaced by an explicit Solvency II risk margin which is intended to represent a notional market value adjustment as discussed above. This is calculated on a prescribed “cost of capital” approach, based on the idea of a market insurer taking over ITIC’s insurance liabilities having to raise capital to meet its own regulatory capital requirements over the run-off of the liabilities following the transfer.

3. Adjustment to expense reserve: When calculating the Solvency II best estimate, a provision is made for all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses.

4. Provision for cash flows on unexpired contracts and contracts bound but not incepted: Solvency II valuation methodology requires an insurer to estimate the cash flows on future coverage that the insurer will provide. This includes the unexpired portion of existing contracts and contracts that have been bound, but for which coverage has not yet incepted. These contracts are to be recognised when the insurer becomes party to the contract which is usually when the contract between undertaking and policyholder is legally formalised. All of these amounts are recognised under premium provisions and include unexpired amounts not yet due previously recognised on the UK GAAP balance sheet as debtors or creditors. It should be noted that the cash flow movements determined in relation to the excess of loss reinsurance cost on bound but not incepted premium has been calculated as a percentage of premium. This approach is considered to be in line with the guidance provided by EIOPA for reinsurance cash outflows.

5. Reinsurance counterparty default adjustment: Amounts recoverable from reinsurance counterparties must be adjusted for expected losses due to counterparty default for the Solvency II balance sheet. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counter party. Under UK GAAP accounting a provision for bad debts is only made where there is objective evidence that a counter party may default on its obligation.

6. Effects of discounting: Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows based on risk-free interest rates. Under UK GAAP accounting, insurance liabilities and reinsurance recoveries are shown as undiscounted figures.

7. ENID adjustment: Solvency II requires that all possible outcomes are allowed for when setting the technical provisions. Therefore, an additional provision needs to be made for "events not in data", i.e. potential adverse claims outcomes that have not been observed to date and hence are not taken into account in assessing the claims provisions.

8. Future reinsurance recoverables: Within ITIC's financial statements, allowance is made for future reinsurance recoverables. For the purposes of the Solvency II balance sheet, this is derived from the gross claims reserves set as part of the reserve review.

9. Adjustment to expense provision: Unlike UK GAAP, Solvency II recognises all expense cash flows incurred in serving insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is made.

10. Future management actions: There are no significant management action assumptions used in the valuation of ITIC's assets, technical provisions and other liabilities.

11. Policyholder behaviour assumptions: There are no significant policyholder behaviour assumptions used in the valuation of ITIC's assets, technical provisions and other liabilities.

D.3. Other liabilities

Valuation of ITIC's other liabilities as at 31st May 2021.

	Solvency II 31/05/2021 US$000s	UKGAAP 31/05/2021 US$000s	Solvency II 31/05/2020 US$000s	UKGAAP 31/05/2020 US$000s
Technical provisions	88,194	130,148	78,927	119,192
Derivatives	1	-	4	4
Insurance and intermediaries payables	210	210	302	302
Reinsurance payables	23,621	40,640	29,202	47,825
Payables, trade not insurance	2,881	2,881	6,054	6,054
Any other liabilities not elsewhere shown	586	586	354	354
Total	**115,493**	**174,465**	**114,843**	**173,731**

The above table presents amounts at Solvency II and UK GAAP valuation bases respectively. For classification purposes the Solvency II classification of amounts has been used.

D.3.1 Derivatives: Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of foreign exchange forward contracts is based on current forward exchange rates.

There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.3.2 Technical provisions: Further detail on ITIC's valuation policy for technical provisions may be found in D.2.

D.3.3 Reinsurance payables: These represent balances that are due to be paid for existing reinsurance contracts. When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

D.3.4 Insurance & Intermediaries payables: These represent balances payable on insurance contracts. Due to the short term nature of these balances, its carrying amount is considered a suitable proxy for fair value. There is no difference between the valuation for solvency purposes and the valuation used in ITIC's financial statements.

D.3.5 Payables, trade not insurance: These balances include sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value. There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.3.6 Any other liabilities not elsewhere shown: These balances include sundry payables and accruals expected to be settled in the short term. There are no material differences between the valuation used for solvency purposes and the valuation used in ITIC's financial statements.

D.4. Alternative methods of valuation

ITIC does not utilise any alternative methods of valuation.

D.5. Any other information

ITIC has not identified any other information that it considers material to be disclosed.

E. Capital Management

Basic own funds of the businesses comprise the excess of assets over liabilities. They can also comprise subordinated liabilities but ITIC does not have any of these.

Ancillary own funds consist of items other than basic own funds which may be called upon to provide additional capital. These can comprise the following:

a. Letters of credit or guarantees;
b. Unpaid share capital or initial funds that has not been called up;
c. Any other legally binding commitments received by insurance and reinsurance undertakings; and
d. Supplementary premium.

These have **NOT** been considered in assessing the solvency of ITIC within the Solvency II process.

In order, to be able to recognise ITIC's ability to recover quota share reinsurance balances from its unrated parallel mutual, TIMIA, ITIC maintains a fixed charge over a portfolio of investments held by TIMIA. The minimum value of these investments has currently been fixed at US$35.0m and were valued at US$40.3m at 31st May 2021 (2020 – US$40.2m).

Capital management encompasses the monitoring and measurement of the own-funds which maintain the solvency of the business. ITIC maintains a policy which sets out the principles used behind ITIC's approach to capital management. These principles cover: classification, monitoring, encumbrances, arrangements, contractual terms, return of capital and the impact of stress scenarios.

The policy also includes the Medium-term Capital Management plan which sets out the options which are used to maintain sufficient levels of capital in the business. These options include decisions on:

a. The terms for the underwriting for the new club year;
b. The level of continuity credit for the forthcoming club year for one and two year deals;
c. The reinsurance program to be decided on for the new club year;
d. The approach towards targeting new business and non-renewing other business;
e. Reviewing and agreeing the approach for any cases requiring consideration;
f. Agreeing the financial statements and regulatory returns including the agreement of the appropriate level for claims provisions;
g. Deciding on the appropriate investment mandate for ITIC.
h. Monitoring the investment portfolio for liquidity as well as asset maturity profile; and
i. Reviewing and approving the ORSA report and any projections contained therein.

E.1 Own funds

All amounts are as at 31st May 2021 and presented in thousands of US Dollars unless otherwise stated:

	31/05/2021 US$000s	31/05/2020 US$000s
SCR ratio	391%	423%
SCR	13,686	11,505
Eligible own funds	53,544	48,679
Excess	39,858	37,174
MCR Ratio	1237%	1194%
MCR	4,328	4,076
Eligible own funds	53,544	48,679
Excess	49,216	44,603
Total Tier 1 Basic own funds	53,544	48,679

Further information on ITIC's own funds may be found in appendix S.23.01.

As a mutual insurer with no share capital ITIC's capital structure consists of an accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds ("BOF"). These funds may be fully utilised to meet both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

Tier 1 BOF contains no significant restrictions affecting the availability and transferability of these own funds.

E.1.1 Material differences between equity as shown in the financial statements and the excess of assets over liabilities

This table represents a reconciliation of UK GAAP capital reserves to Solvency II capital reserves.

	Notes	31/05/2021 US$000s	31/05/2020 US$000s
UK GAAP reserves		**46,142**	**42,099**
Solvency II gross technical provisions adjustment		41,954	40,289
Of which reallocation of amounts not yet due	*1*	(18,210)	(20,190)
Solvency II reinsurance technical provisions adjustment		(32,851)	(31,611)
Of which reallocation of amounts not yet due	*1*	17,019	18,622
Elimination of deferred acquisition cost - gross	*2*	(5,103)	(5,300)
Elimination of deferred acquisition costs - reinsurance	*2*	4,593	4,770
Total Solvency II basic own funds		**53,544**	**48,679**

Notes

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions which has been further discussed in D.2.

1. Reallocation of amounts not yet due: Under Solvency II valuation requirements, any amounts not yet due are included as a future cash flow as part of technical provisions. Under statutory accounting requirements, these amounts are included in debtors and creditors on the face of the balance sheet.

2. Elimination of deferred acquisition costs: The Solvency II balance sheet does not defer insurance cash flows. As such balances for deferred acquisition costs are eliminated upon transition to the Solvency II balance sheet.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The below table summarises the capital requirements for the current period comparable to the previous period. Further details can be found in appendices S.25.01.

	31/05/2021 US$000s	31/05/2020 US$000s
SCR	**13,686**	**11,505**
Made up of		
Market risk	6,175	4,547
Underwriting & reserving risk	6,486	5,864
Counterparty default risk	1,976	1,657
Diversification impact	(3,544)	(2,869)
Operational risk	2,593	2,306
MCR	**4,328**	**4,076**

The SCR has been calculated using the Solvency II Standard Formula and is subject to supervisory assessment through to external audit. ITIC does not use any simplifications or undertaking specific parameters to calculate the SCR.

The main risks that drive the SCR is underwriting risk which stems from the insurance risk that ITIC assumes through the course of its normal business activities and is increased by lapse risk associated with future business.

The overall SCR has increased by US$2.2m since last year, The increase is spread across increases in market, counterparty default, underwriting and reserving risks.

The inputs used to calculate ITIC's MCR include net premiums written for general liability insurance of US$11.1m (2020: US$10.6m) and can be found in appendix S.28.01.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This sub-module is not used by ITIC.

E.4 Differences between the standard formula and any internal model used

ITIC uses the standard formula for the calculation of its SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

ITIC has fully complied with the SCR and MCR during the period under review.

E.6 Any other information

ITIC's member state has not made use of the option provided to disclose the capital add-on or the impact of specific parameters replacing the standard formula calculation parameters during the transitional period to October 2018.

INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED

Solvency and Financial Condition Report

Disclosures

31 May

2021

(Monetary amounts in USD thousands)

General information

Undertaking name	INTERNATIONAL TRANSPORT INTERMEDIARIES CLUB LIMITED
Undertaking identification code	213800BCZOAY52YN8807
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB (after Brexit)
Language of reporting	en
Reporting reference date	31 May 2021
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	69,007
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	53,108
R0140	*Government Bonds*	50,578
R0150	*Corporate Bonds*	2,530
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	15,890
R0190	*Derivatives*	8
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	86,355
R0280	*Non-life and health similar to non-life*	86,355
R0290	*Non-life excluding health*	86,355
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,299
R0370	Reinsurance receivables	122
R0380	Receivables (trade, not insurance)	343
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,987
R0420	Any other assets, not elsewhere shown	4,925
R0500	**Total assets**	169,038

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	88,194
R0520	*Technical provisions - non-life (excluding health)*	88,194
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	86,447
R0550	*Risk margin*	1,748
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	1
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	210
R0830	Reinsurance payables	23,621
R0840	Payables (trade, not insurance)	2,881
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	585
R0900	**Total liabilities**	115,493
R1000	**Excess of assets over liabilities**	53,544

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	
		C0060	C0070	C0080	C0090	C0100	C0110	C0200
	Premiums written							
R0110	Gross - Direct Business			25,934				25,934
R0120	Gross - Proportional reinsurance accepted			20,499				20,499
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share			35,355				35,355
R0200	Net			11,078				11,078
	Premiums earned							
R0210	Gross - Direct Business			31,459				31,459
R0220	Gross - Proportional reinsurance accepted			15,013				15,013
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share			35,389				35,389
R0300	Net			11,082				11,082
	Claims incurred							
R0310	Gross - Direct Business			25,031				25,031
R0320	Gross - Proportional reinsurance accepted			13,942				13,942
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share			36,578				36,578
R0400	Net			2,395				2,395
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net			0				0
R0550	**Expenses incurred**			9,805				9,805
R1200	**Other expenses**							-2,117
R1300	**Total expenses**							7,687

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			US	CN	NO	DE	SG	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	10,608	0	2,467	-2	-22	1,572	14,623
R0120	Gross - Proportional reinsurance accepted	1,178	3,158	58	2,599	2,203	359	9,555
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	8,975	2,405	1,922	1,977	1,661	1,470	18,410
R0200	Net	2,812	753	602	620	520	461	5,769
	Premiums earned							
R0210	Gross - Direct Business	14,190	0	1,146	894	903	2,353	19,487
R0220	Gross - Proportional reinsurance accepted	320	3,348	25	1,192	1,329	0	6,214
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	11,050	2,550	892	1,588	1,699	1,792	19,572
R0300	Net	3,460	798	279	497	532	561	6,129
	Claims incurred							
R0310	Gross - Direct Business	12,722	0	126	554	-1,065	992	13,329
R0320	Gross - Proportional reinsurance accepted	0	10,421	0	1,302	51	0	11,773
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	12,079	10,321	112	1,655	-989	884	24,062
R0400	Net	644	100	14	200	-24	107	1,040
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	2,489	667	533	548	461	408	5,106
R1200	**Other expenses**							-1,103
R1300	**Total expenses**							4,003

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Total Non-Life obligation
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	
		C0070	C0080	C0090	C0100	C0110	C0120	C0180
R0010	**Technical provisions calculated as a whole**			0				0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole							0
	Technical provisions calculated as a sum of BE and RM							
	Best estimate							
	Premium provisions							
R0060	Gross			2,151				2,151
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			8,979				8,979
R0150	**Net Best Estimate of Premium Provisions**			-6,827				-6,827
	Claims provisions							
R0160	Gross			84,295				84,295
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			77,377				77,377
R0250	**Net Best Estimate of Claims Provisions**			6,918				6,918
R0260	**Total best estimate - gross**			86,447				86,447
R0270	**Total best estimate - net**			91				91
R0280	**Risk margin**			1,748				1,748
	Amount of the transitional on Technical Provisions							
R0290	Technical Provisions calculated as a whole							0
R0300	Best estimate							0
R0310	Risk margin							0
R0320	**Technical provisions - total**			88,194				88,194
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**			86,355				86,355
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**			1,839				1,839

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											537	537	537
R0160	2012	3,639	4,251	2,180	1,594	546	507	108	1,126	663	8		8	14,622
R0170	2013	3,641	3,231	1,838	1,490	2,159	1,078	2,781	434	1,105			1,105	17,757
R0180	2014	3,125	3,695	5,133	3,787	1,016	122	670	139				139	17,687
R0190	2015	2,976	3,485	563	594	558	4,016	1,087					1,087	13,279
R0200	2016	3,574	4,059	2,078	4,053	100	181						181	14,045
R0210	2017	2,450	3,005	1,279	533	204							204	7,471
R0220	2018	2,884	5,258	7,941	2,368								2,368	18,451
R0230	2019	5,068	3,107	2,368									2,368	10,543
R0240	2020	3,611	16,372										16,372	19,984
R0250	2021	4,689											4,689	4,689
R0260												**Total**	29,058	139,066

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											4,658	4,630
R0160	2012	0	0	0	0	0	3,371	2,893	1,587	792	825		812
R0170	2013	0	0	0	0	5,317	8,236	3,673	943	398			390
R0180	2014	0	0	0	5,010	3,431	2,827	1,898	2,350				2,309
R0190	2015	0	0	5,367	7,654	5,605	5,461	4,945					4,868
R0200	2016	0	13,254	8,655	4,303	3,499	2,602						2,568
R0210	2017	18,348	11,552	6,709	4,961	5,068							5,004
R0220	2018	19,437	24,015	13,285	6,414								6,323
R0230	2019	20,544	16,360	12,724									12,530
R0240	2020	23,297	18,187										17,900
R0250	2021	27,406											26,960
R0260												**Total**	84,295

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	53,544	53,544			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	53,544	53,544	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	53,544	53,544	0	0	0
R0510	Total available own funds to meet the MCR	53,544	53,544	0	0	
R0540	Total eligible own funds to meet the SCR	53,544	53,544	0	0	0
R0550	Total eligible own funds to meet the MCR	53,544	53,544	0	0	
R0580	**SCR**	13,686				
R0600	**MCR**	4,328				
R0620	**Ratio of Eligible own funds to SCR**	391.23%				
R0640	**Ratio of Eligible own funds to MCR**	1237.09%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	53,544
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	53,544
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	7,488
R0790	**Total Expected profits included in future premiums (EPIFP)**	7,488

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	6,175		
R0020	Counterparty default risk	1,976		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	6,486		
R0060	Diversification	-3,544		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	11,093		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,593
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	13,686
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	13,686
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	1,461

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	91	11,078
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	1,461
R0310	SCR	13,686
R0320	MCR cap	6,159
R0330	MCR floor	3,422
R0340	Combined MCR	3,422
R0350	Absolute floor of the MCR	4,328
R0400	**Minimum Capital Requirement**	4,328