

Financial highlights

For the year ended 31 December 2023

TT CLUB
IS MANAGED
BY **THOMAS
MILLER**



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Chairman's Report

I am pleased to write to you for the first time as Chairman of the Board having taken over from Ulrich Kranich in July 2023. I wish not only to look back on what has been a successful year for the Club but also forward to the coming years in which I hope to continue to steer the Club as well as he has done.



I am pleased to see a focus on sustainability pulled to the forefront within this document, which now reads "TT Club's mission is to make the global transport and logistics industry safer, more secure, and more sustainable".

I must start by thanking Ulrich for his dedicated leadership of the Board from 2016 until his retirement in 2023, having spent 16 years as Director. During this time, Ulrich has steadily guided the Board through a period of unprecedented instability and disruption. Ulrich presided over the Board throughout the Covid-19 pandemic, ensuring unwavering Member support and business continuation; oversaw the complex planning necessary to continue to service the Club's EEA Members after the UK left the EU; and finally, the difficult but correct decision to run off all Russian and Belarusian business following Russia's invasion of Ukraine in 2022.

During Ulrich's time as Chairman, the Club also celebrated its 50th anniversary and developed its 'Brave new world? Container transport in 2043' publication, looking ahead to the implications of four possible outcomes for the future of our industry. This forward-looking approach, initiated during Ulrich's tenure, I intend to continue during my time as Chairman and I look forward to working together with you all towards a safer, more secure, and more sustainable industry for us all.

2023

2023 saw some key changes to the Club's mission statement and guiding principles. I am pleased to see a focus on sustainability pulled to the forefront within this document, which now reads "TT Club's mission is to make the global transport and logistics industry safer, more secure, and more sustainable". Similarly, the Club made a commitment to a loss prevention offering that is beyond class and incomparable to any other insurer in the Club's sector and to embed innovation and constant improvement in all that it does. I do not

report in this statement on specific loss prevention activities as you will see that we have included this detail in a separate statement that follows this one.

Having spent over three decades in the industry, many at management level, I know very well the value of data and metrics in tracking performance. It is my firm belief that you cannot gauge the success of a business without measurement, and for that reason wish to oversee a commitment by the Club Board to track four key metrics that will ensure not only sustainable, consistent growth, but progressive development and bettering of the Club's service to its membership.

Financial performance

The Club's net result for 2023 is US\$ 15.9 million (2022 US\$ 5.6 million). The figure is higher than the Managers' forecast coming into 2023 and significantly higher than 2022 when, in line with most other insurers, the Club's investment portfolio made a negative return. The welcome boost in investment income in the final months of 2023 saw the Club's investments return 6.3% (2022 -2.1%) for the year, or US\$ 36.0 million in total (2022 US\$ -10.9 million loss).

Claims for the 2023 policy year remain below the Managers' expectations. However, claims from previous accident years continue to develop above expectations, particularly those in respect of US bodily injury, which has led the Board to take the prudent decision to strengthen claims reserves. While 2023 saw much disruption and destruction due to both natural and man-made disasters, such events seem to have had only a limited impact on claims for the year.

Chairman's Report

(continued)

The financial year combined ratio is 101% and the policy year combined ratio is 93%. This excludes costs in the year of the project to replace the core systems supporting the Club's operations. This is a major project for the Club and costs associated with this project sit at US\$ 8 million for the year. Including the costs of this project the financial year combined ratio increases to 105% and the policy year combined ratio to 97%. I report progress later in this statement.

There was modest growth in the Club's gross written premium in the year, rising to US\$ 289 million (2022 US\$ 283 million). The Managers' focus on prudent underwriting has ensured steady growth over the years, without compromising the loss ratio performance of the business. Of the business lost throughout the year, the Club declined to renew a significant portion because the claims performance of that business was not in line with that expected by the Club.

As noted in last year's report, the Club saw unusually high levels of new business in 2021, which dropped in 2022 and has dropped further in 2023 as the market cycle has hardened. Competition remains strong across almost all sectors and markets, but the Club continues to grow sustainably and prove its value to its Members and the wider industry. Despite this, the Club's Member retention rate has remained high as usual, with 95% of Members renewing their policy.

Growing conflicts

It saddens me to report that conflict continues to persist both in Ukraine and now in the Middle East. The conflict between Israel and Gaza that ignited in October 2023 and shows no sign of calming, continues to cause tension in the Middle East and increasingly in the Red Sea. At the time of writing, dozens of attacks have been launched against commercial ships passing through the Red Sea, leading many firms to take the decision to reroute ships around South Africa's Cape of Good Hope. While the Club's exposure remains minimal, the potential effects of such conflicts on global trade are certainly alarming and worthy of close attention.

Conflict in Ukraine similarly seems unlikely to cease in the near future and the Club continues to support its few Members in Ukraine where possible, keeping a close eye on any developments that might affect the wider membership.

Environmental disasters

In February 2023, an earthquake hit Turkey and Syria with devastating consequences. The deadliest earthquake the region has seen in modern history, it caused, and is still causing, intense disruption to life in both countries. The Club's exposure to this catastrophic event is significant as I'm sure you will appreciate given its nature. Acknowledging the severity and widespread impact of the disaster, the Club saw it appropriate to donate to the relief efforts in addition to its usual charitable giving.

Writing to you about environmental disasters, I cannot fail to mention the impact that climate change is having on the global transport and logistics industry, after what has been another record-breaking year. Storms recorded in North America and Europe throughout 2023 were more destructive than ever before, leading to overall industry losses of more than US\$ 76 billion. The Club's exposure to risks related to climate change and unprecedented weather events continues to rise, with climate a causal factor over 10% of the Club's claims in the five-year period from 2018 to 2022. 2023 was also the hottest year ever recorded, the knock-on effects of which are too numerous to note here. The Club's loss prevention team is committing more resource to supporting the membership in managing these risks and making changes to reduce their carbon emissions, about which you will read more following this statement.

The Managers' focus on prudent underwriting has ensured steady growth over the years, without compromising the loss ratio performance of the business.

Chairman's Report

(continued)

For Members, industry organisations, and the Club itself, considering the safe and sustainable transition to net zero emissions has become paramount. It is no longer a long or even mid-term goal; we must all act now.

Environmental, social, and governance (ESG)

As noted in last year's statement, the drive to develop robust environmental, social and governance (ESG) policies continues to gain pace. For Members, industry organisations, and the Club itself, considering the safe and sustainable transition to net zero emissions has become paramount. It is no longer a long or even mid-term goal; we must all act now.

In September, the Club launched its first sustainability report, in line with its requirements as signatories to the UN Principles of Sustainable Insurance. Indeed, the Club sees delivery of its mission as central to progress on ESG issues, and conversely, ESG issues as fundamental to deliver its mission. The Club must report each year on its progress in relation to sustainable practices as outlined in the report, focusing the five UN Sustainable Development Goals on which it can make a meaningful impact. Further information can be found in this report on the TT Club website.

Further to the Club's commitment to advancing its own ESG agenda, it has also committed to supporting the membership with guidance and support in such matters. I am pleased to advise of the launch of the Club's dedicated ESG toolkit, which can be found on its website. More detail about this resource will follow this statement.

Upgrading IT systems

As noted in last year's statement, a major project to upgrade the Club's operating systems has been underway to ensure the highest standard of service for both Members and brokers in an ever more digital landscape. Regrettably, the target launch date communicated last year has proved to be too ambitious. This is due in part to delays in development of the system, but also the recognition of the need for significantly more rigorous testing to ensure, beyond doubt, that the data captured and reported from the system is fit for purpose and upholds the Club's scrupulous standards.

A highly unexpected cause for delay relates to the conflict I mentioned earlier. With the service provider based in Israel, the conflict has undoubtedly impacted their operations. Despite their best efforts to draw on resource domiciled elsewhere, delays have been unavoidable. The Club's Audit & Risk Committee is closely monitoring progress and costs associated with the delay, however, the Managers remain confident that the upgrade will see an unmistakable improvement in service for Members, brokers and staff.

Brexit

As you will know, from 1 January 2021, all new and renewing EEA business has been fronted by UK P&I Club N.V. (UKNV) a business also managed by Thomas Miller. The transfer went smoothly, with no impact to the Club's servicing of its EEA Members; in fact, increased dedicated TT Club resource in Rotterdam provided enhanced on-the-ground service for the Club's EEA membership. In last year's statement, it was noted that the Managers would continue to evaluate how to structure its business within the EEA to best serve the membership. Following such evaluation, the Club has decided to establish its own subsidiary, TTNV, in Rotterdam to insure risks located in the EEA.

TTNV intends to assume all insurance obligations from UKNV and will carry out this transfer once it becomes an authorised insurer in the Netherlands subject to the prudential supervision of the De Nederlandsche Bank ("DNB") and the conduct supervision of the Autoriteit Financiële Markten ("AFM").

The Managers are confident that this route will ensure the highest standards of service, consistent across its global membership.

Chairman's Report

(continued)

Directors and Board Committees

The Boards and Committees continued to meet their usual schedules in 2023, with a return to fully in-person meetings.

Five Directors retired from the Board in the year: Ulrich Kranich, Ulrike Baum, David Robinson MBE, Simon Vernon and EeLain Ong. I would like to thank them all for their contributions during their time as Directors of the Club.

I must, in particular, single out three Directors for their contributions. Mrs Baum joined the Board in November 2016 and served as a member of the Audit & Risk Committee and Nominations Committee. Mr Robinson joined the Board in 2016 and served as Chairman of the Audit & Risk Committee from 2018 and of course my predecessor, Mr Kranich

During the year, we welcomed Marika Calfas (CEO of NSW Ports), Julian Chowdhury (Club CFO and Executive Director) and Kristinn Albertsson (CFO of Samskip Group) and my Board colleagues and I look forward to working with them.

As you will be aware from the papers circulated in preparation for the AGM, there was an increase to the fees payable to Directors in the year, following the usual two-year review. Directors are now paid US\$ 3,000 per day for meetings they attend and an annual retainer of US\$ 3,000.

This year, the Club Board will meet in Seoul in March, Rome in June, and New York in November. Events for local Members and their brokers will be held alongside all three meetings and I look forward to seeing some of you there.

Conclusion

I would like to once again thank the Club's outgoing Chairman, Ulrich Kranich, for his dedicated service, I am grateful to take over from such capable hands. I look forward to serving the Club as Chairman over the coming years and supporting the Club's mission of making the transport and logistics industry safer, more secure, and more sustainable. It is a mission to which I am extremely proud to contribute, and I hope that my years in industry will serve as an asset to the Club in achieving it.

I would also like to remind you that the Club will be running its biannual customer satisfaction survey this year and I would urge not to miss this opportunity to give your feedback and guide the Club's direction of travel.

Lastly, I would like to thank you, our Members and brokers, for your support, feedback, and belief in the Club and its grounding principles throughout another strong year. The Club is here to serve you, the industry, and your enduring loyalty and trust is what keeps us moving forwards.



M Engelstoff
Chairman

21 March 2024

Financial Highlights

for the year ended 31 December 2023

A-
(excellent)

AM Best financial strength rating

Balance sheet strength at "very strong" as measured by the AM Best capital adequacy model

101%

Financial year combined ratio / %

(2022 = 90) Total claims and expenses divided by net earned premiums, excluding exchange movements, quota share reinsurance and exceptional items

121.1

Gross paid claims / US\$ million

(2022 = 115.0)

284.3

Gross earned premiums / US\$ million

(2022 = 276.5)

6.3%

Underlying investment return / %

(2022 = -2.1)

15.9

Net result / US\$ million

(2022 = 5.6)

277.4

Total surplus and reserves / US\$ million

(2022 = 261.5)

95%

Member retention / %

(2022 = 94) Based on gross written premium

Five-year Summary

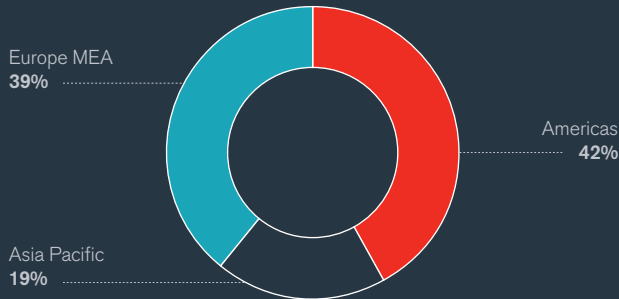
	2019 US\$000s	2020 US\$000s	2021 US\$000s	2022 US\$000s	2023 US\$000s
Gross earned premiums	206,178	220,431	248,208	276,538	284,257
Brokerage and commission	(24,285)	(26,680)	(26,890)	(31,331)	(31,102)
Gross earned premiums, net of brokerage and commission	181,893	193,751	221,318	245,207	253,155
Reinsurance premiums ceded	(59,519)	(55,303)	(64,584)	(70,035)	(64,617)
Net claims incurred	(82,893)	(87,125)	(121,628)	(125,217)	(160,579)
Net operating expenses	(46,509)	(41,495)	(39,983)	(31,666)	(47,212)
Investment return	22,870	12,770	16,313	(10,892)	35,978
Reversal of negative goodwill	3,625	–	–	–	–
Exchange gains/(losses)	(2,561)	(87)	(1,344)	30	(36)
Interest payable	(502)	(442)	(479)	(473)	(361)
Taxation	(383)	(552)	(809)	(1,318)	(398)
Surplus for the year	16,021	21,517	8,804	5,636	15,930

Summary balance sheets

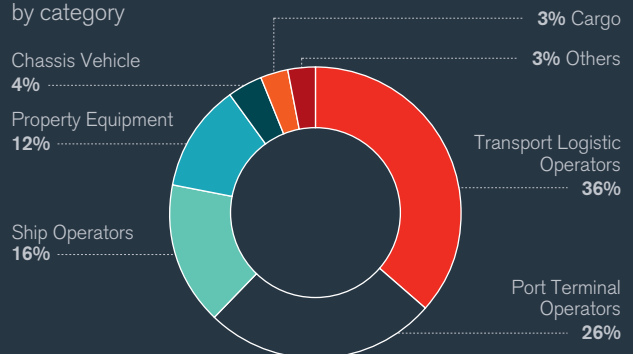
Total cash and investments	487,815	523,495	568,523	587,033	673,581
Other assets	145,961	161,808	187,019	223,415	225,853
Total assets	633,776	685,303	755,542	810,448	899,434
Gross unearned premiums and claims reserves	(382,249)	(405,587)	(468,647)	(532,350)	(602,288)
Other liabilities	(25,986)	(32,658)	(31,033)	(16,600)	(19,718)
Total surplus and reserves	225,541	247,058	255,862	261,498	277,428

Comparative Figures

Gross written premiums
by region



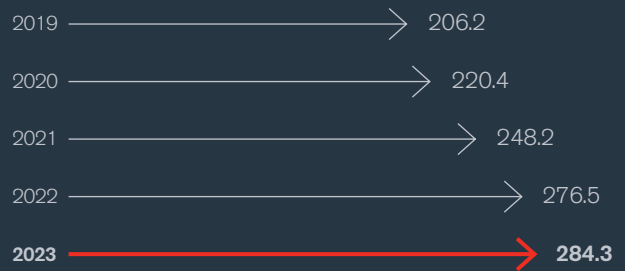
Gross written premiums
by category



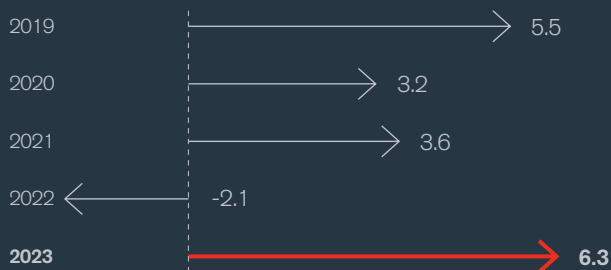
101% Combined ratio / %
(excluding exceptional items)



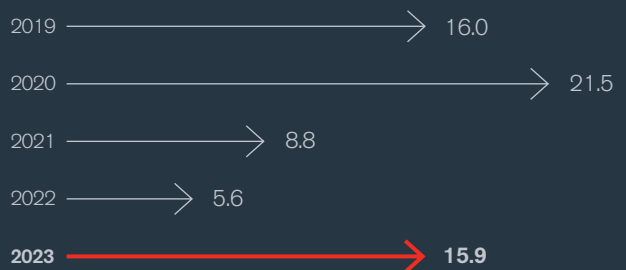
284.3 Gross earned premiums
US \$ millions



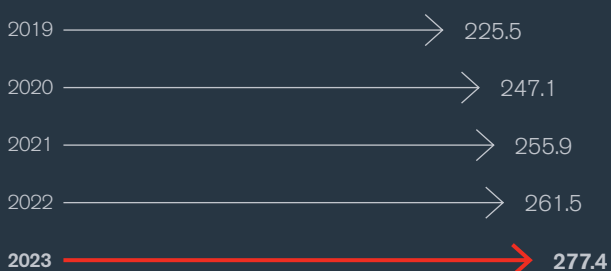
6.3% Investment return / %
(before investment management fees)



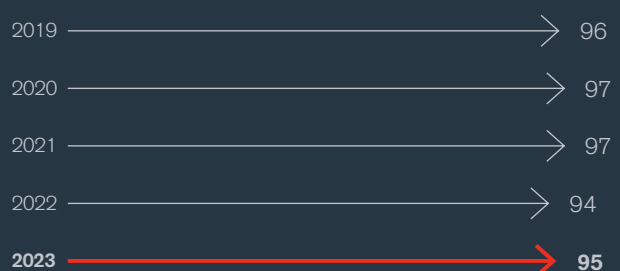
15.9 Net result
US \$ millions



277.4 Surplus and reserves
US \$ millions



95% Member retention / %
(based on gross written premium)



Board of Directors

As of 30 April 2024

CHAIRMAN



M Engelstoft**
Genoa

DEPUTY CHAIRMAN



J Küttel**
Luzern

DIRECTORS



A Abbott*
Atlantic
Container Line,
New York



K Albertsson*
Samskip,
Rotterdam



G Benelli*
Specialist
Director
(Investment)



H-J Bertschi*
Bertschi Group,
Dürrenäsch



M Calfas*
NSW Ports,
Sydney



J Chambers**
Specialist
Director
(Insurance)



YI Chang*
Evergreen
Group,
Taipei



X Chen*
COSCO
Container Line,
Shanghai



W Chien*
Dimerco
Express Group,
Taipei



J Chowdhury**
Through
Transport Mutual
Services (UK) Ltd,
London



M d'Orey**
Orey Shipping,
Lisbon



S Edwards*
Virginia Port
Authority,
Norfolk



T Faries*
Appleby,
Bermuda



C Fenton**
Through
Transport Mutual
Services (UK) Ltd,
London



A Fullbrook*
OEC Group,
New York



M Hine**
Specialist
Director
(Finance)



R Murchison*
Murchison Group,
Buenos Aires



Y Narayan*
DP World,
Dubai



J Neal*
Carrix,
Seattle



J Nixon*
Ocean Network
Express,
Singapore



R Owens*
Nautilus
International
Holding
Corporation,
Long Beach



N Smedegaard**
DFDS Group,
Copenhagen



K Svendsen*
A P Møller-
Maersk,
Copenhagen



S Tranantasin*
RCL Group,
Bangkok

* Directors of Through Transport Mutual Insurance Association Ltd (TTB)

Directors of TT Club Mutual Insurance Ltd (TTI)



